

# Initiatives for Fourth Year of Management That Is Conscious of Cost of Capital and Stock Price

Listing Department  
Tokyo Stock Exchange, Inc.

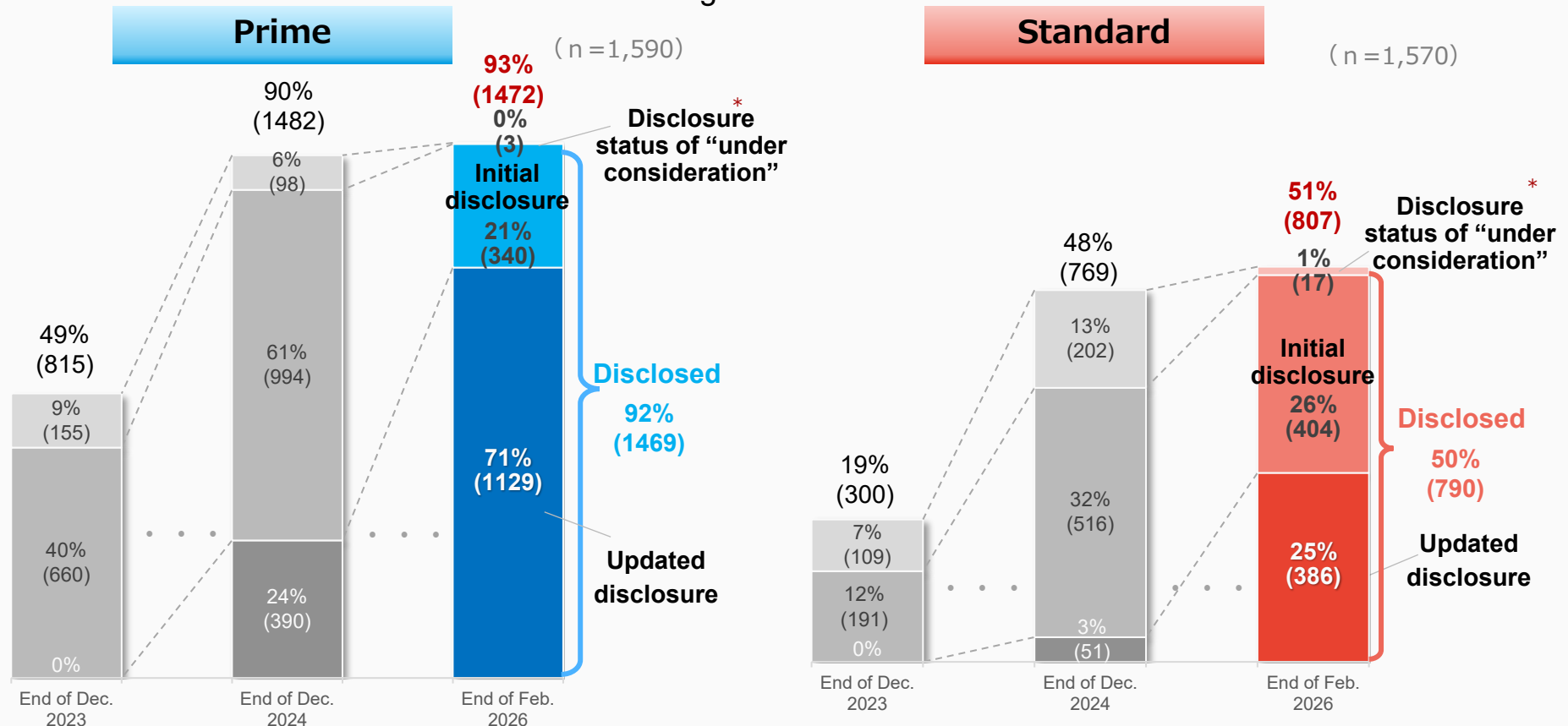
April 7, 2026



# I. Current Situation

# Status of Disclosures and Updates

- ◆ The number of companies making and updating disclosures has increased significantly in the three years since the request.
- 93% of Prime Market listed companies (1,472) and 51% of Standard Market listed companies (807) have disclosed. (As of the end of February 2026, including companies with a disclosure status of “under consideration”.)
- 71% of Prime Market listed companies (1,129) and 25% of Standard Market listed companies (386) have updated the contents of their disclosures after making their initial disclosures.



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

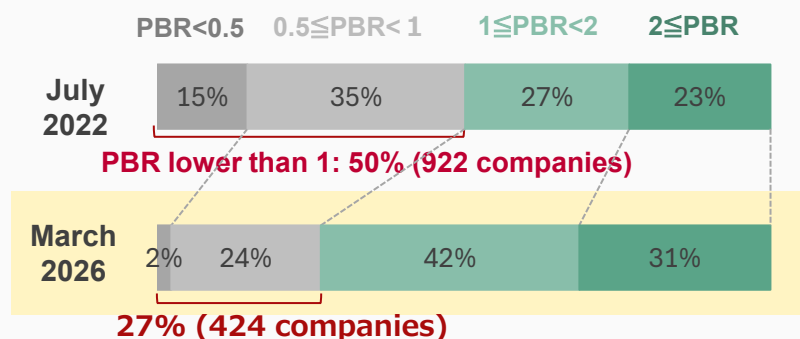
# Changes in Distribution of PBR and ROE

## ◆ The distribution of PBR and ROE has been improving over the past few years.

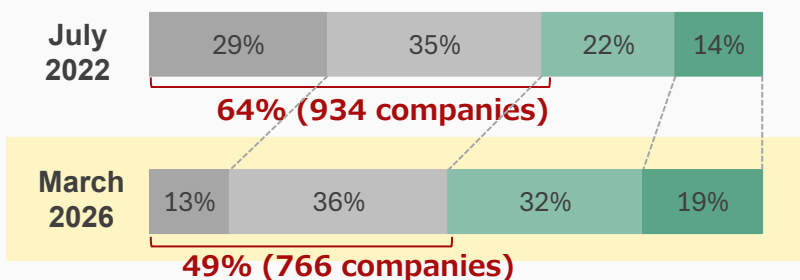
- Companies with PBRs below 1x accounted for 27% (-23 pt) of companies in the Prime Market and 49% (-15 pt) in the Standard Market.
- Companies with ROE below 8% accounted for 43% (-4 pt) of companies in the Prime Market and 60% (-3 pt) in the Standard Market.

### Change in PBR Distribution by Market Segment

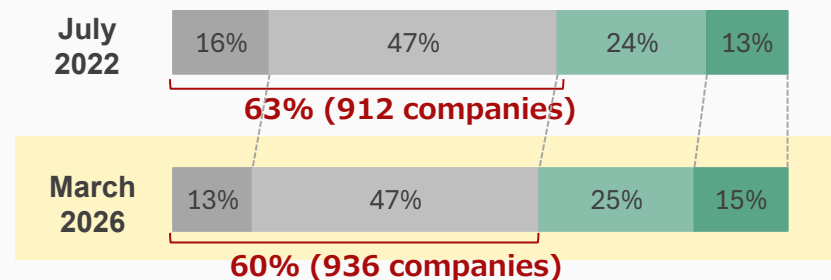
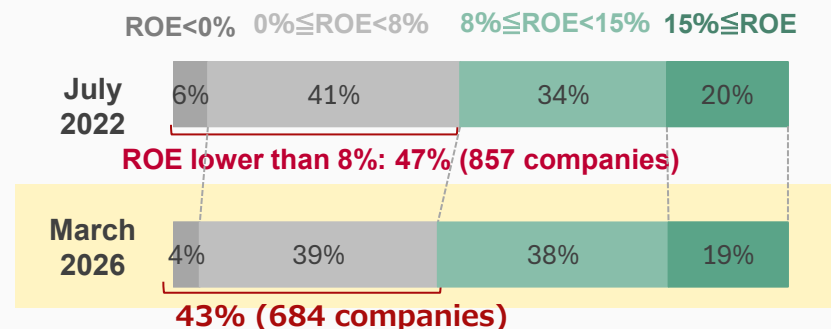
Prime



Standard



### Change in ROE Distribution by Market Segment



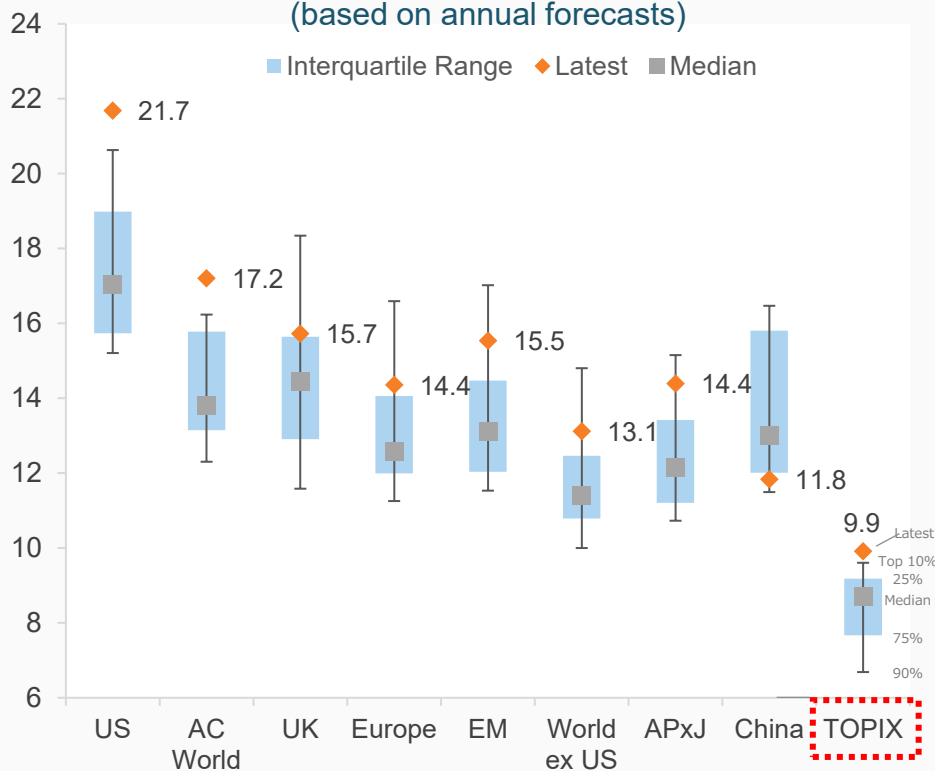
Note 1: Compiled by TSE based on QUICK data.  
Note 2: Data as of July 1, 2022 and March 1, 2026

# Recent International Comparison (ROE & PBR) ( 1 )

◆ Although capital efficiency and market valuation of Japanese companies have been improving overall, when compared with other countries, there is still substantial room for further growth.

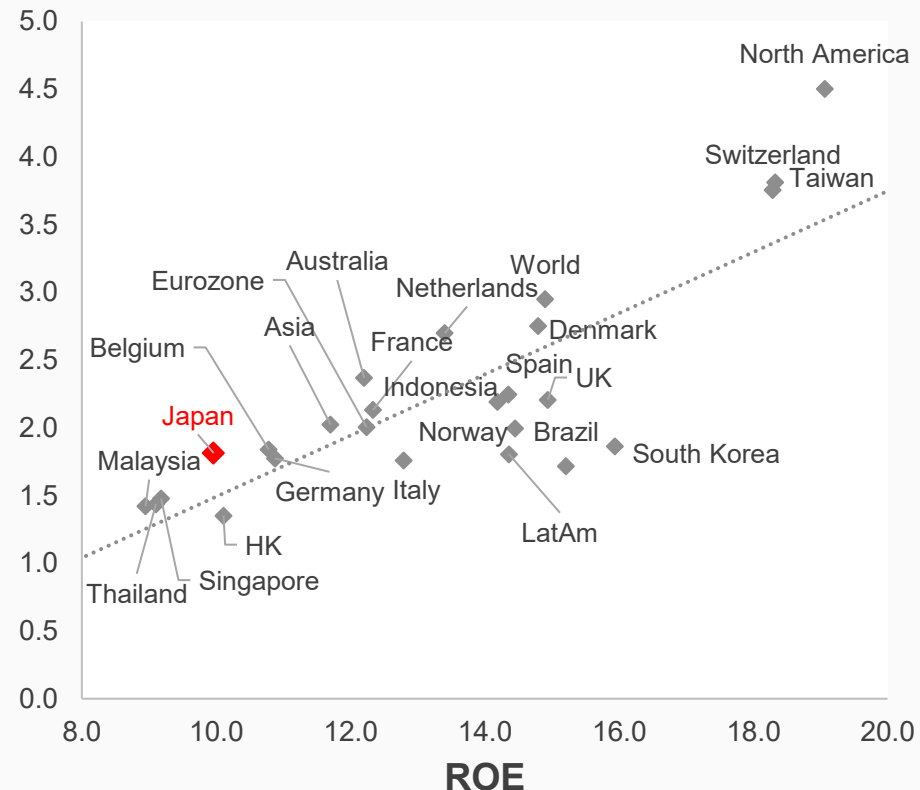
## ROE (Past/Latest)

**ROE** Distribution of monthly ROE over the past 20 years (based on annual forecasts)



## ROE & PBR (Latest)

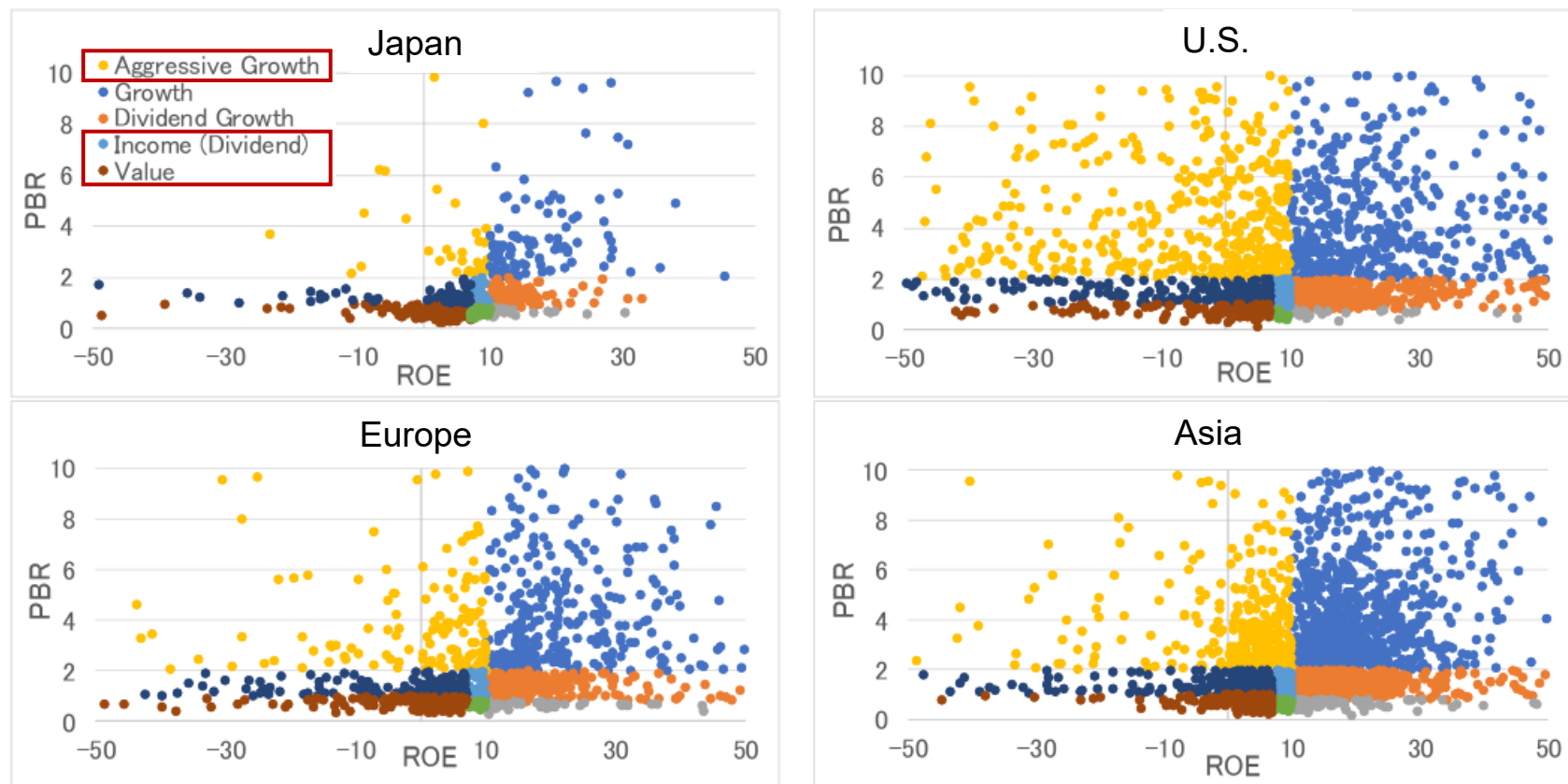
**PBR**



Data provided by: Goldman Sachs Securities Co., Ltd.

## Recent International Comparison (ROE & PBR) (2)

- ◆ Compared with companies in other countries, Japan tends to have a larger share of companies with lower expectations for growth (value/income) and a notably small share of companies with higher expectations for growth (aggressive growth).



\* Prepared by council member Sampei based on Credit Suisse HOLT Lens data. The data is based on closing prices as of April 8, 2022.

\* Aggressive growth: PBR of 2x or more and ROE below 10%; Growth: PBR of 2x or more and ROE of 10% or higher; Dividend growth: PBR between 0.8x and 2x and ROE of 10% or higher; Income: PBR between 0.8x and 2x and ROE between 7% and 10%; Value: PBR below 1x and ROE below 7%.

\* Survey scope: companies with a market capitalization of USD 1 billion or more and a positive PBR (Japan: 647 companies; U.S.: 2,080; Europe: 1,227; Asia: 2,770).

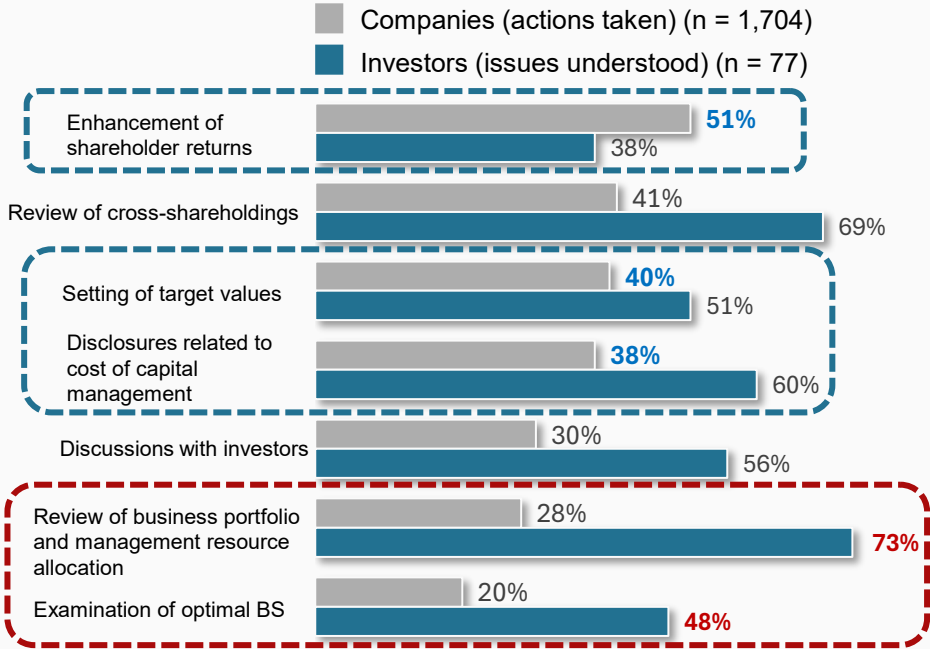
Source: Document 6 from the First Report of the Subcommittee on Value Creation Management under the Committee on New Direction of Economic and Industrial Policies of the Industrial Structure Council (February 4, 2025)

# Gap in Understanding Between Companies and Investors

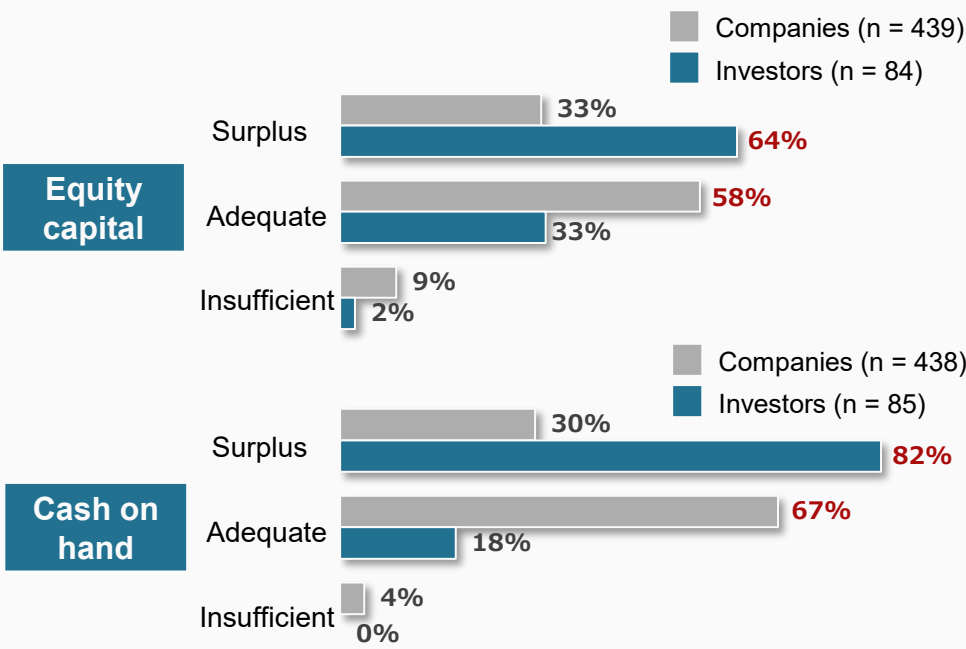
◆ **There is a gap in understanding between companies and investors regarding issues pertaining to management resource allocation.**

- While initiatives that are easier to undertake, such as enhancing shareholder returns, are making progress, sufficient progress has not been made in areas that many investors view as critical issues, including **reviews of business portfolios, reassessment of the allocation of management resources, and examination of optimal balance sheets.**
- There is a **gap in understanding between companies and investors** regarding levels of equity capital and cash on hand.

**Actions taken by companies and issues as seen by investors toward achieving management that is conscious of cost of capital and stock price**



**Understanding of levels of equity capital and cash on hand (companies & investors)**



Source: (Left) Prepared by TSE based on "Reforming Corporate Governance to Refine and Realise Value Creation Story –Report on the Corporate Governance Survey 2025–" by Sumitomo Mitsui Trust Bank (Right) Prepared by TSE based on "Detailed Survey Results on Approaches toward Enhancing Enterprise Values (2024 Edition)" by The Life Insurance Association of Japan  
 © 2026 Japan Exchange Group, Inc., and/or its affiliates

# Issues Faced by Listed Companies

01 アンケート結果から見る、資本コスト経営の現状と課題

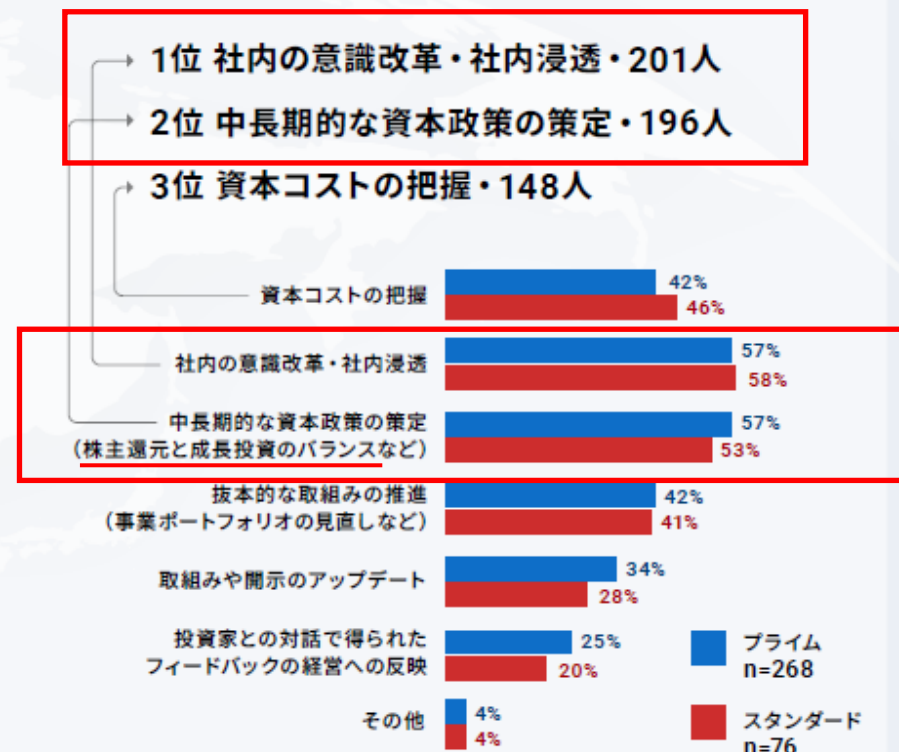
NIKKEI  
VALUESEARCH

## 他社の先行事例を 参考にしたい と答えた方が6割に

投資家に評価されたポイント、社内での推進方法、そして優先すべきテーマ——。社内を動かす立場にある担当者にとって、先行企業の知見は自社の取り組みを磨き、前進させるための重要な検討材料となっていることがうかがえます。

### 他社の取り組みとして参考にしたいものは？

(複数回答可)



出典 | 2025年7月17日開催 | 日経バリューサーチャーセミナー「東証市場改革、3年目の焦点」アンケートより

# (Reference) Excerpts From “Action Programme 2025” by Financial Services Agency

## I . Introduction

It is suggested that future policy priorities should remain on the effectively implementing corporate governance reform by encouraging companies and investors to adopt self-motivated changes in their mindsets. At the same time, it is essential to create environments, potentially by reviewing the Corporate Governance Code, to promote dialogue based on "a relationship of cautious trust" that truly contributes to the sustainable corporate growth and increased corporate value over the mid- to long-term.

### (1) Make the Code into a principle and streamline it

In the review process, **attention should be paid to costs and disclosure burdens for listed companies. In this regard, the Code should be streamlined. For example, provisions should be deleted, integrated, or simplified if they have already become part of corporate practices since the establishment and revisions of the Code. Additionally, there are provisions that now duplicate mandatory requirements established after the last revision of the Code in 2021 and could be streamlined.** Furthermore, efforts will be made to once again promote understanding of the principles-based and the “comply or explain” approach that the Code adopts.

## II . Following up on the Action Program and suggested future policy priorities

### 1 . Driving value creation capacity

### (2) Appropriate allocation of management resources

- The Corporate Governance Code could be reviewed to promote the effective oversight of boards and enhance quality disclosure in line with each company's strategies and challenges, **aiming to achieve the efficient allocation of available resources by companies.** The following points should be considered.
  - i. There are **various investment opportunities allocating for available resources**, including: plant and equipment; R&D; establishing bases in regional core urban areas, startups, and other growth investments, and; investments in human capital and intellectual property. **It is important for the management to seize these diverse opportunities.** (…)
  - ii. **Consideration should also be given to clarifying the board’s accountability in verifying whether each company appropriately assesses its current resource allocation, such as whether it is effectively utilising cash for investments.**

### 2 . Enhancing quality disclosure and promoting dialogue with investors

#### [Future policy priorities]

### (3) Disclosure prior to annual general meeting

- To encourage listed companies to disclose the ASR prior to the AMG, the FSA will follow up on disclosure practices in response to the Minister’s request letter. Additionally, the Corporate Governance Code will be reviewed in this respect while consideration will be given to the development of necessary regulatory environment. ◦

### 3 . Improving board effectiveness

### (4) Strengthen functions of the secretariat of the board

For boards to fulfil the roles described above, **it is important to be creative in setting the agenda and structuring operations** to ensure that discussions are effective. **The secretariat of the board plays an important role by operating independently from the executives and providing support to the chair, as well as the independent and other directors.** It is noted that as boards increasingly focus on their monitoring role, the secretariat will become even more crucial as a link between non-executives and executives, and plays a vital role during emergencies.

- The purpose of these actions is **to have the management of the company carry out their management duties with more consideration of cost of capital and profitability** based on the balance sheet, rather than just sales and profit levels on the income statement, in order to achieve sustainable growth and increase corporate value over the mid- to long-term.
- Specifically, based on the basic management policy established by the Board of Directors, the management team is **expected to take the lead in appropriately allocating resources** with sufficient consideration of cost of capital and profitability by pushing forward initiatives such as **investment in R&D and human capital** that leads to the creation of intellectual property and intangible assets **that contribute to sustainable growth, investment in equipment and facilities, and business portfolio restructuring.**

**Note:** While share buybacks and dividend increases are considered effective means of improving **profitability**, if shown as such by the company's analysis of whether the balance sheet effectively contributes to value creation, **TSE is not necessarily expecting companies to use only these or solve issues with a one-off response.** Efforts are expected on a fundamental level to attain profitability in excess of cost of capital on a sustained basis and achieve sustainable growth.

- In taking these initiatives forward, **companies are expected to enable investors to assess their progress by presenting clear information on related policies, targets, and specific details** in whatever way they see fit, **and to gradually improve their initiatives** through proactive dialogue with investors based on this disclosure.

# Trends in “Examples of Initiatives That Were Well Received by Investors (2025 Edition)” (1)

- ◆ In “Examples of Initiatives That Were Well Received by Investors (2025 Edition),” published in December 2025, there was an increase in examples that clearly indicated balance sheet management and cash allocation policies aimed at the optimal allocation of management resources.

Case 5

**THK (6481) (i)**

TOPIX Mid400

Machinery

**President Message**

THK will thoroughly strengthen what needs to be strengthened and courageously change what needs to be changed.

Basic Policy for New Management Targets:  
**Early Realization of ROE of Over 10%**

**Voice of Investors**

The president personally demonstrated a strong commitment to “achieving an ROE exceeding 10% at an early stage,” and presented a concrete roadmap for achieving this goal from both the perspectives of improving operating profit and streamlining equity capital. Each initiative possesses a compelling narrative and is backed by quantitative target figures, lending credibility to its feasibility.

**Path to “ROE of Over 10%”**

The chart shows a four-stage roadmap: Current (FY2024), Structural Reform Period (FY2025-26), Growth Stage (FY2027-29), and Stable Growth Stage (FY2030-). Key metrics include Operating Income (¥17.3 billion to ¥23.5 billion), Equity Capital (¥383.6 billion to ¥300.0 billion), and ROE (2.8% to Over 10%). Strategic initiatives include structural reforms, share repurchases, and debt reduction.

• To improve ROE, the company discloses their future initiatives chronologically, focusing on both improving operating profit and streamlining equity capital. (Point II.5)

Source: THK Corporation: New Management Policy “Early Achievement of ROE Exceeding 10%” (February 12, 2025) Pages 2 and 6  
[https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212\\_New-Management-Policy\\_en.pdf](https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212_New-Management-Policy_en.pdf)  
 © 2025 Japan Exchange Group, Inc., and/or its affiliates

**THK (6481) (iii)**

TOPIX Mid400

Machinery

**What needs to be strengthened: Capital Policy**

Management with Emphasis on Capital Efficiency

Policies below will be continued until “Early Realization of ROE over 10%” is achieved.

<p><b>Reduction</b></p> <ul style="list-style-type: none"> <li>Cash and Bank Deposits: ¥138.2 billion</li> <li>Equity Capital: About ¥300.0 billion</li> <li>Total Assets: ¥567.4 billion</li> </ul>	<p><b>Interest-Bearing Liabilities</b></p> <ul style="list-style-type: none"> <li>¥98.5 billion</li> </ul>	<p><b>Increase</b></p> <ul style="list-style-type: none"> <li>Shareholder Return: About ¥173.0 billion</li> <li>Investments in Growth: About ¥120.0 billion</li> <li>Structure Reform Costs: About ¥5.0 billion</li> </ul>
--	--	--

(1) Total number of shares acquired: 1,011,465 shares  
 (2) Total price of shares acquired: ¥107,246,523 yen  
 \* Treasury stocks will be reserved for disposition as appropriate.

**Capital Policy**

Until We Achieve “Early Realization of ROE of Over 10%”

<p><b>Operating Cash Flow</b></p> <ul style="list-style-type: none"> <li>FY2025-2029 Five-Year Cumulative Total: ¥209.0 billion</li> </ul>	<p><b>Shareholder Return</b></p> <ul style="list-style-type: none"> <li>Target: About ¥173.0 billion</li> </ul>	<p><b>Investments in Growth</b></p> <ul style="list-style-type: none"> <li>Target: About ¥120.0 billion</li> </ul>
--	---	--

Copyright THK CO., LTD. 2025. All rights reserved. | 13

• To enhance capital efficiency, the company discloses specific policies on balance sheet management and capital allocation, detailing how current and future cash flows will be allocated between growth investments and shareholder returns. (→Point I.3 & Point II.2)

Source: THK Corporation: New Management Policy “Early Achievement of ROE Exceeding 10%” (February 12, 2025) Pages 12 and 13  
[https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212\\_New-Management-Policy\\_en.pdf](https://www.thk.com/jp/wordpress/wp-content/uploads/2025/02/250212_New-Management-Policy_en.pdf)  
 © 2025 Japan Exchange Group, Inc., and/or its affiliates

# Trends in “Examples of Initiatives That Were Well Received by Investors (2025 Edition)” (2)

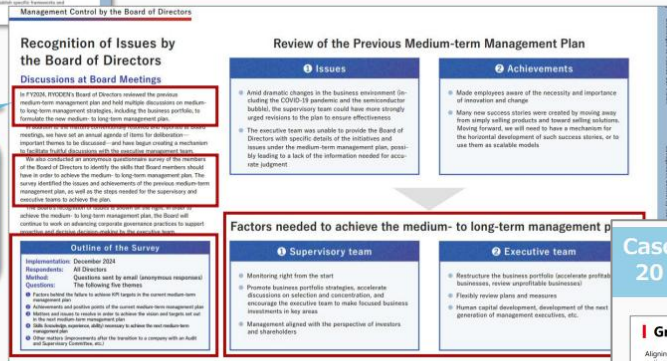
## Case 20 RYODEN (8084) (i) TOPIX Small Wholesale JPX

ICHIGAN2024		ICHIGAN 2024 Targets and Results	
	2024	2025	2026
Net sales (billion of yen)	230,087	196,841	229,126
Operating profit (billion of yen)	5,597	3,415	7,042
Operating profit margin (%)	2.4	1.7	3.1
Net sales in new businesses (billion of yen)	9,290	7,605	6,999
Operating profit in new businesses (billion of yen)	(7,293)	(7,405)	(6,999)
Gross profit margin in new businesses (%)	17.7	18.4	16.1
ROE (%)	5.8	3.4	6.9

**Voice of investors**

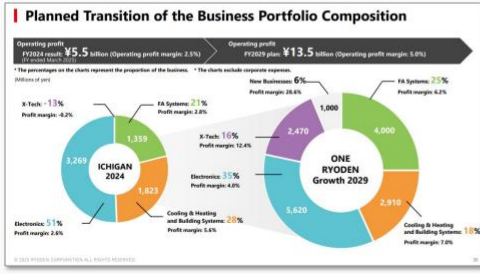
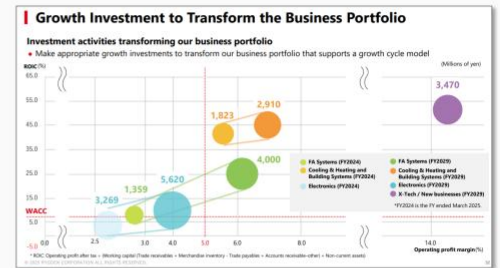
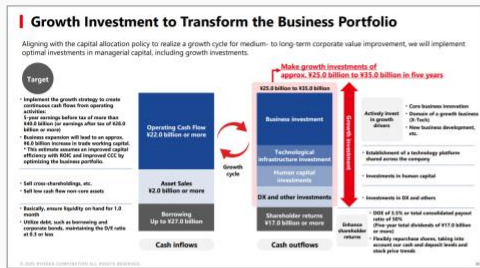
In light of the failure to achieve key targets in the previous mid-term plan, the Board of Directors took the lead in clarifying challenges such as business portfolio strategy. The new mid-term plan concretely outlines business portfolio transformation centered on aggressive investment in growth businesses, meticulously detailing the future vision and segment-specific strategies. The high transparency of the management decision-making process strongly conveys strategic consistency and execution capability.

The Board of Directors conducted discussions to formulate the new mid-term plan based on a review of the previous mid-term plan period, while also implementing a questionnaire for directors. It identified challenges such as accelerating the business portfolio strategy and disclosed its recognition of these challenges. (→Point II.2 & Point III.4)



Source: Ryoden Corporation, Ryoden Report 2025, page18-19 (Red frame added by ISE) [https://s344.eir-parts.net/doc/8084/r\\_material\\_for\\_fiscal\\_yr27/182911/00.pdf](https://s344.eir-parts.net/doc/8084/r_material_for_fiscal_yr27/182911/00.pdf)  
© 2025 Japan Exchange Group, Inc., and/or its affiliates

## Case 20 RYODEN (8084) (ii) TOPIX Small Wholesale JPX



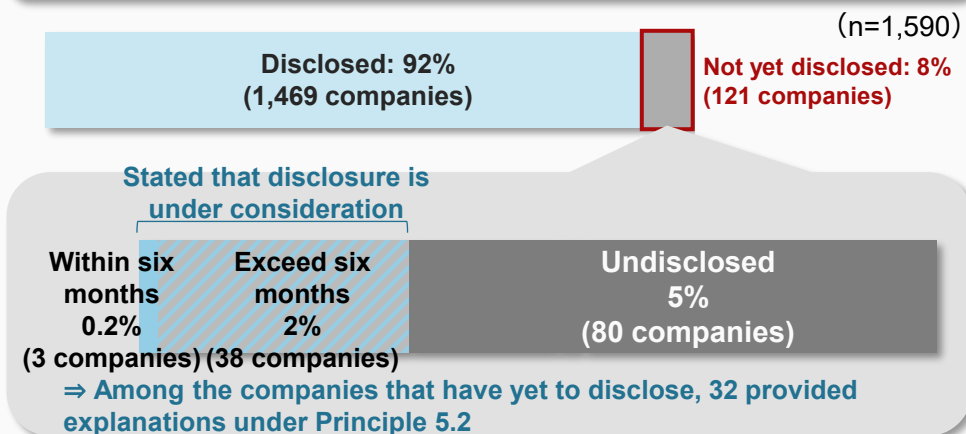
The new mid-term management plan explicitly states the policy of transforming the business portfolio through proactive investment in growth businesses. It also discloses specific details regarding the medium- to long-term vision for each business and the future structure of the business portfolio. (→Point II.2)

Source: RYODEN Corporation, Fiscal Year Ending March 2025 Financial Results and New Mid-Term Management Plan Briefing (May 19, 2025), Pages 25, 27, 28 [https://s344.eir-parts.net/doc/8084/r\\_material\\_for\\_fiscal\\_yr27/180492/00.pdf](https://s344.eir-parts.net/doc/8084/r_material_for_fiscal_yr27/180492/00.pdf)  
© 2025 Japan Exchange Group, Inc., and/or its affiliates

# Status of Prime-Listed Companies That Have Yet to Disclose

- ◆ Among Prime-listed companies that have yet to disclose (8%, or 121 companies), it is assumed that a relatively large number deliberately chose not to disclose, taking into account their own business environments, financial conditions, and other factors.

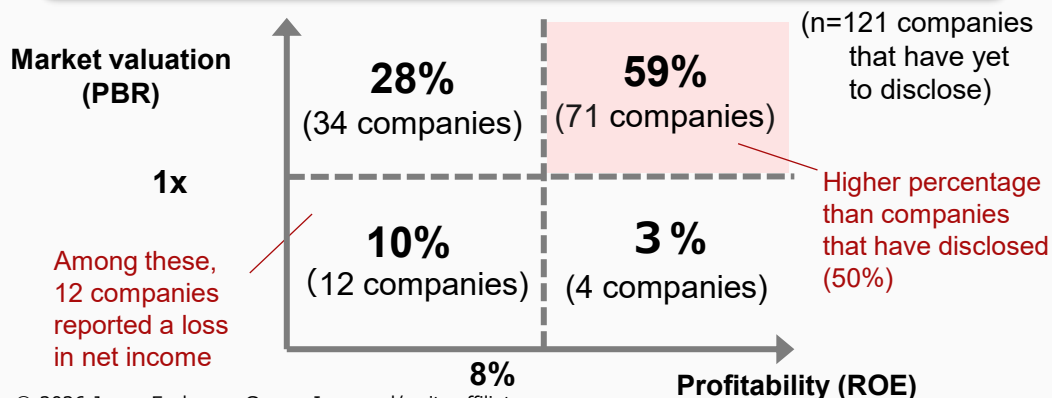
## Breakdown of companies that have yet to disclose



## Remarks from Prime-listed companies that have yet to disclose

- ◆ Because the company operates a single business and maintains high profitability, it receives few questions from investors regarding profitability, the review of its business portfolio, or other matters, and therefore considers the need for disclosure to be limited.
- ◆ As the company operates an upfront-investment business model and has continued to record losses, it actively engages in dialogue with investors but has not disclosed information about management that is conscious of cost of capital and profitability.  
(company that has transferred from the Growth Market to the Prime Market)
- ◆ Given the many uncertainties involved, such as volatility in the business environment, it is difficult to forecast future earnings, so, although a medium-term management plan has been disclosed, numerical targets related to capital efficiency have not been published.

## Distribution of PBR & ROE

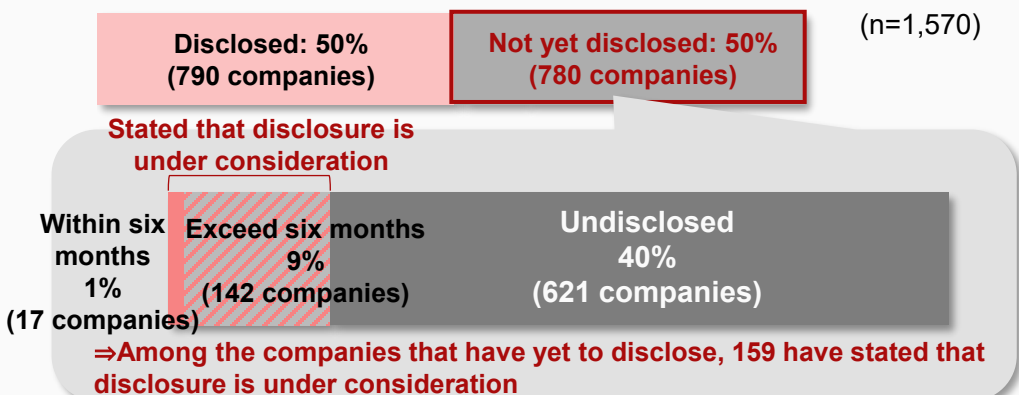


\* The above represent typical remarks, based mainly on explanations under Principle 5.2, in corporate governance reports and survey responses from seminar participants.

# Status of Standard-Listed Companies That Have Yet to Disclose

- ◆ Among Standard-listed companies that have yet to disclose (50%, or 780 companies), it is assumed that many have yet to begin making disclosures as insufficient resources and know-how as well as limited progress in internal mindset reform mean that deliberations are ongoing but time-consuming.

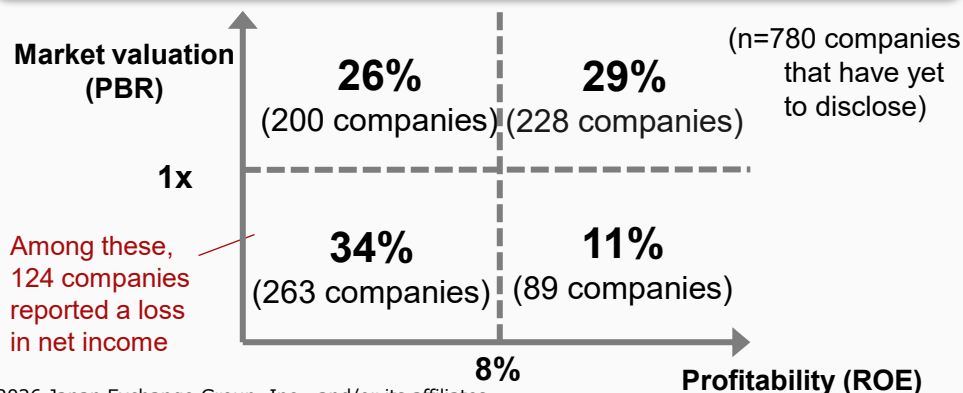
## Breakdown of companies that have yet to disclose



## Remarks from Standard-listed companies that have yet to disclose

- ◆ Although the need for disclosure is recognized, **internal resources, such as personnel with the necessary know-how, are limited, so consideration of initiatives has not progressed smoothly.**
- ◆ While there is a sense of urgency among staff, **understanding from management and business divisions has not yet been obtained, so discussions have not progressed.**
- ◆ **There is hesitation to disclose due to a lack of confidence as to whether the growth strategies and capital policies under consideration are aligned with investors' perspectives.**
- ◆ **The company is not confident in whether the cost of capital has been accurately calculated and properly understood, and thus disclosure has not yet been made.**
- ◆ As the company has continued to post losses, it considers the restructuring of existing businesses to be the top priority.

## Distribution of PBR & ROE

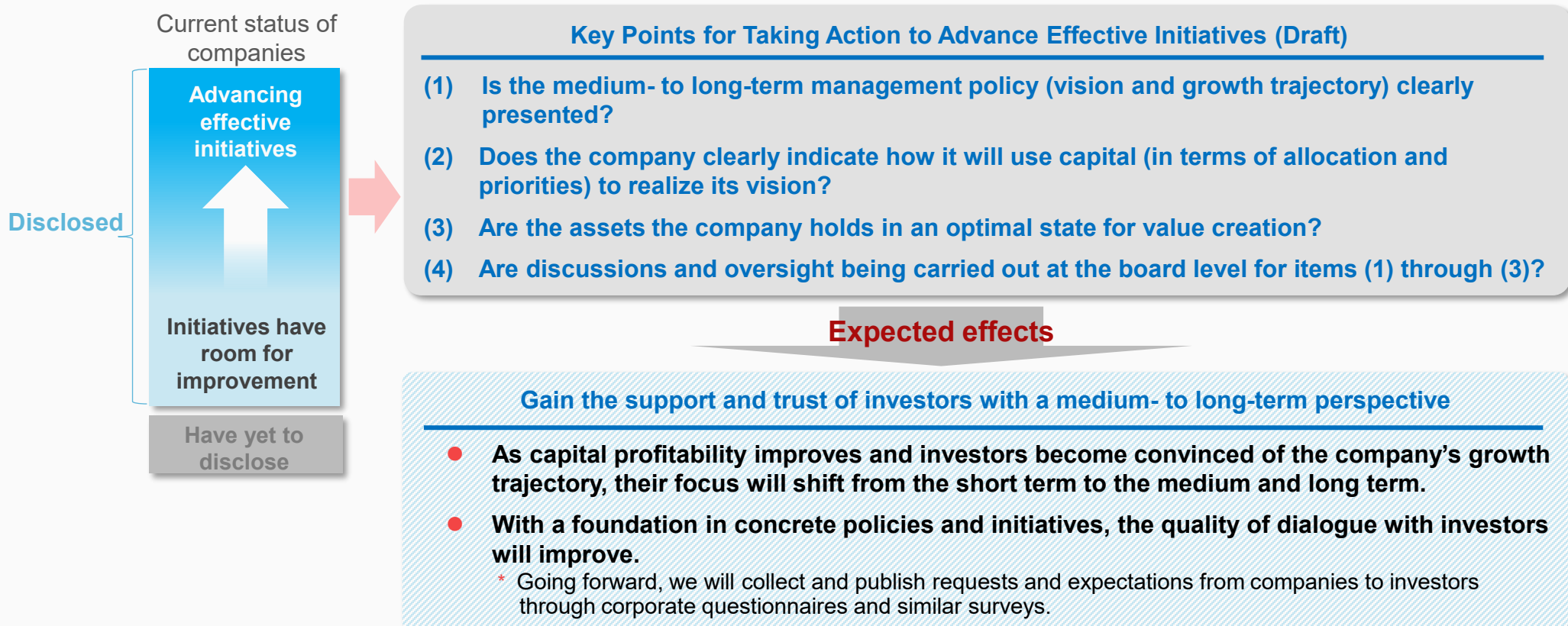


\* The above represent typical remarks, based mainly on survey responses from seminar participants and statements indicating in corporate governance reports that "management that is conscious of cost of capital and stock price" is under consideration

## II. Future Approaches

# Future Approaches 1: Approach Companies That Are Advancing Initiatives

- ◆ Following the commencement of our initiative in March 2023, **management that is conscious of cost of capital and stock price has become widely accepted.**
- ◆ Looking ahead, **in order to further advance these initiatives, particularly for companies aiming to engage in effective dialogue with medium- to long-term investors**, we will publicize key points for taking action, updated from the March 2023 request, to **promote effective initiatives for the optimal allocation of management resources, such as growth investments and reviews of business portfolios, which are highly valued by medium- to long-term investors (sometime in April).** → [Page 18](#)



## Future Approaches 2: Approach Companies That Have Yet to Disclose

**Target 1: Companies that have deliberately chosen not to disclose, taking into account their own business environments, financial conditions, and other characteristics** (common among Prime-listed companies that have yet to disclose)

- ◆ As information for investors to use as a reference, we will encourage companies to include in their corporate governance reports **an explanation of the reasons for not making disclosures, as well as their future policies regarding disclosure.**

**Target 2: Companies where deliberations are ongoing, but they have yet to begin making disclosures due to insufficient resources and know-how** (common among Standard-listed companies that have yet to disclose)

- ◆ **We will first approach companies and encourage them to take the initial step toward disclosure based on their current thinking and then gradually refine their disclosures over time.**
- ◆ **At the same time, to address the concerns of companies that have yet to disclose, we will target these companies and advance activities to support them, such as hosting seminars, visiting specific companies, and enhancing case study compilations.**

### III. Key Points for Companies Aiming for Further Progress (Draft)

# Key Points for Taking Action for Management That Is Conscious of Cost of Capital and Stock Price (Draft)

Listing Department  
Tokyo Stock Exchange

April DD, 2026



# Background and Purpose

- ◆ Around three years have passed since the request issued in March 2023 regarding “management that is conscious of cost of capital and stock price.” Since then, around 90% of companies on the Prime Market and approximately 50% of those on the Standard Market have made disclosures, and **at many companies, progress has been made toward efforts for management that is conscious of cost of capital and profitability.**
- ◆ Investors in Japan and overseas, particularly **institutional investors with a medium- to long-term perspective**, have **expressed positive views regarding these changes**. Looking ahead, **investors have also voiced expectations for the acceleration of initiatives aimed at the optimal allocation of management resources, including growth investments and reviews of business portfolios.**
- ◆ This document is intended for **companies aiming to further advance “management that is conscious of cost of capital and stock price.”** It summarizes **key points for advancing effective initiatives that are considered useful for gaining the support and trust of “investors who invest with the expectation of medium- to long-term growth of their investee companies (investors with a medium- to long-term perspective)” in particular.** \*Prepared based on feedback from investors with a medium- to long-term perspective.
- ◆ The “**initiatives expected to be undertaken**” that are presented in this document **are not intended to call for uniform responses from all companies.** Rather, they are provided as **material for consideration when reviewing and updating initiatives and disclosures going forward, from the perspective of enhancing corporate value while securing the support and trust of investors with a medium- to long-term perspective.**

# Overview of Key Points and Expected Effects

## Key Points for Taking Action to Advance Effective Initiatives

(1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented? ⇒ Page 22

(2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision? ⇒ Page 23

(3) Are the assets it holds in an optimal state for value creation? ⇒ Page 24

(4) Are discussions and oversight being carried out at the board level for items (1) through (3)? ⇒ Page 25

## Expected effects

### Gain the support and trust of investors with a medium- to long-term perspective

- **As capital profitability improves and investors become convinced of the company's growth trajectory, their focus will shift from the short term to the medium and long term.**  
E.g., Investors' primary expectations for the company will shift from shareholder returns to the successful execution of growth investments.
  - **With a foundation in concrete policies and initiatives, the quality of dialogue with investors will improve.**  
E.g., There will be more feedback from investors with a medium- to long-term perspective, such as the identification of fundamental issues and making of proposals aimed at realizing growth.  
In response to calls for immediate shareholder returns, it will become possible to engage in constructive communication based on disclosures.
- \* Going forward, we will collect and publish requests and expectations from companies to investors through corporate questionnaires and similar surveys

# Key Points for Taking Action (1)

## (1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented?

### Medium- to Long-Term Management Policy

- Strengths/competitive advantages
- Business and growth strategies
- Target business portfolio
- Targets for profitability and capital efficiency

etc.

### Comments from institutional investors with a medium- to long-term perspective

- Even if individual measures such as growth investments and shareholder returns are presented, **it is difficult for investors to evaluate the company when its medium- to long-term business and growth strategies, target business portfolio, and quantitative targets are not thoroughly articulated, making it unclear what the company is aiming to achieve overall.**
- Even when strategies and plans are presented, **if the priorities for allocating management resources to support their realization are unclear, or if top management's thinking, decision-making criteria, and commitment to execution are not sufficiently visible, it is difficult to gain confidence in the realization of growth, which can cause investors to hesitate to make medium- to long-term investments.**

### Initiatives expected to be undertaken

- As a foundation for gaining the support and trust of medium- to long-term investors, companies are expected to organize their **medium- to long-term management policies** and **clearly present the “why” and “how” to investors**. Specifically, they are expected to convey, together with their current understanding of issues, points such as:
  - ✓ **Business and growth strategies, including how they intend to utilize their strengths and competitive advantages to create value (and why this is feasible);**
  - ✓ **Priorities regarding which fields or businesses they will focus on for the allocation of management resources and the resulting target business portfolio;**
  - ✓ **Quantitative targets related to profitability and capital efficiency.**
- In doing so, it is also expected that **top management will continuously communicate their thinking and commitment in their own words, thereby conveying to investors a proactive stance toward achieving the strategies and plans.**

# Key Points for Taking Action (2)

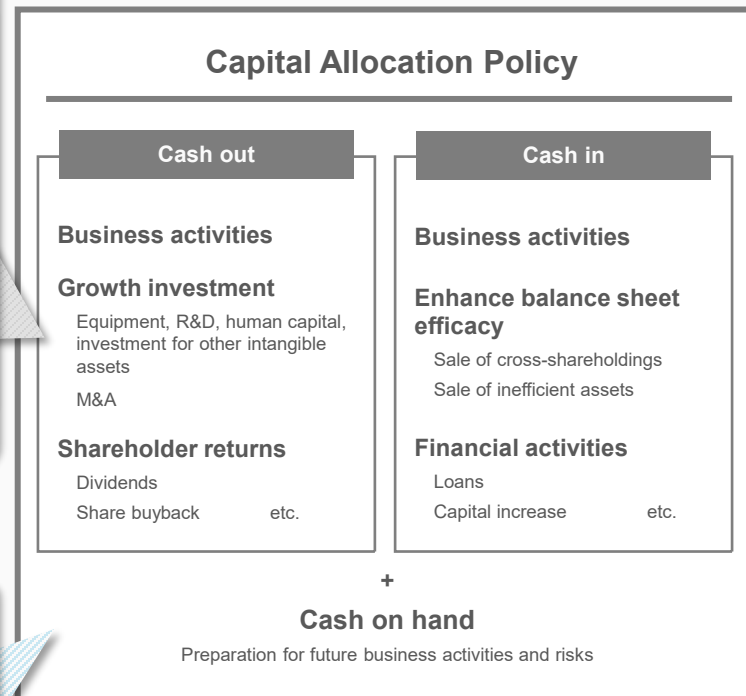
## (2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision?

### Comments from institutional investors with a medium- to long-term perspective

- **What investors with a medium- to long-term perspective expect** is not the enhancement of near-term shareholder returns, **but rather the enhancement of future earning power through the promotion of proactive and disciplined growth investments** in line with the company's medium- to long-term management policy.
- However, **investors expect growth investments that contribute to enhancing future earning power**. If surplus capital is available, but **growth investments are only tangentially related to the company's medium- to long-term management policy**, it would be **preferable to allocate such capital to investments in human capital or to shareholder returns**.
- Even when a company emphasizes **enhanced shareholder returns**, if the **overview and strategy for capital allocation are unclear**, or if **dividends appear to be determined based primarily on a fixed payout ratio that just takes into account the industry average**, such measures may be perceived as **one-off responses aimed at temporarily boosting capital efficiency and share prices**.

### Initiatives expected to be undertaken

- **When considering capital allocation**, it is important to **establish a clear order of priorities by first examining growth investments aimed at enhancing sources of value creation in the medium to long term**, and then, considering the appropriate level of cash on hand, **flexibly allocating surplus capital to shareholder returns**.
- From the perspective of enhancing the quality of dialogue with investors, companies are expected to **clearly explain to investors their capital allocation policy, including with what mindset and priorities the limited amount of capital will be allocated, taking into account projected future cash flows**.



Reference material/examples of initiatives

[Key Points Considering The Investor's Point of View \(page 17\)](#)

**Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources**

# Key Points for Taking Action (3)

## (3) Are the assets it holds in an optimal state for value creation?

### Comments from institutional investors with a medium- to long-term perspective

- What matters on the balance sheet, from the perspective of creating corporate value, is whether the company has the assets it should have and that it does not hold unnecessary assets.
- There are cases where companies hold large amounts of cash and deposits, citing growth investment or risk preparedness, but have not conducted concrete reviews, and cases where non-operating assets, such as cross-shareholdings, have not been examined from the standpoint of cost of capital and returns; such situations cannot be properly evaluated.
- Attention tends to focus on the level of cash and deposits, but from the standpoint of improving asset efficiency, it is also important to shorten the cash conversion cycle and reduce the amount of working capital required.
- Intangible assets that do not appear on the balance sheet, such as human capital and intellectual property, are becoming the source of value creation and companies' strengths, and their importance in corporate valuation is increasing.

### Initiatives expected to be undertaken

- To ensure the realization of their visions, companies are expected to **continuously review whether the assets they hold are in an optimal state for future value creation and make improvements.**
- Specifically, for **assets on the balance sheet**, while taking into account perspectives such as growth investment, business operations, and preparedness for risk, companies are expected to examine **whether they are holding surplus cash and deposits** and, taking into consideration cost of capital, **whether assets other than cash and deposits are also in an optimal state for maximizing medium- to long-term value creation.** After identifying any issues, they are expected to **advance initiatives for improvement.**
- At the same time, with respect to **intangible assets that do not appear on the balance sheet, such as human capital and intellectual property**, companies are expected to examine **whether they are building, maintaining, and strengthening the assets necessary to realize their vision, and to actively promote the necessary investments.**
- In addition, it is expected that companies will **clearly communicate to investors their understanding of these issues and the policies for addressing and improving them.**

Balance Sheet	
<b>Assets</b>	<b>Liabilities</b>
<b>Current assets</b> Cash and deposits Securities Notes receivable Accounts receivable Inventory etc.	<b>Current liabilities</b> Accounts payable Short-term loans payable etc.
<b>Non-current assets</b> Buildings Land Machinery and equipment Software Investment securities etc.	<b>Non-current liabilities</b> Long-term loans Bonds etc.
	<b>Net assets</b>
	Share capital Capital surplus Retained earnings Treasury shares etc.

+

**Other intangible assets:-**  
Human capital, intellectual property, etc.

#### Reference material/examples of initiatives

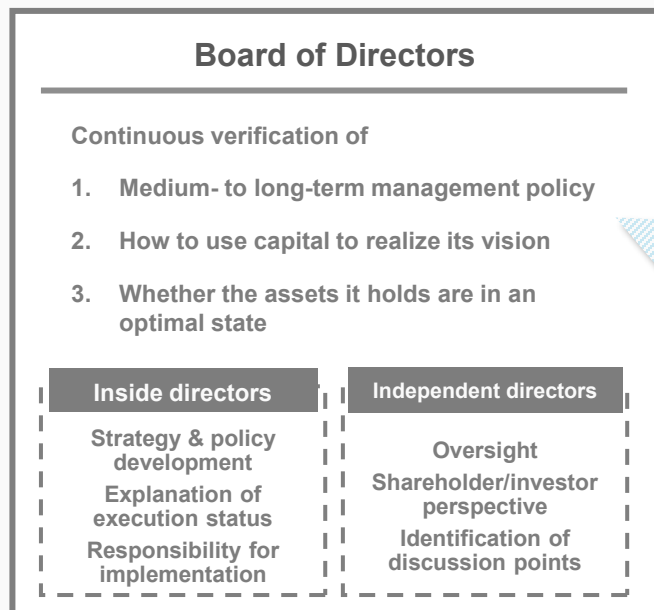
[Key Points Considering The Investor's Point of View](#) (pages 13, 17)

Inspection of balance sheets to ensure their efficacy

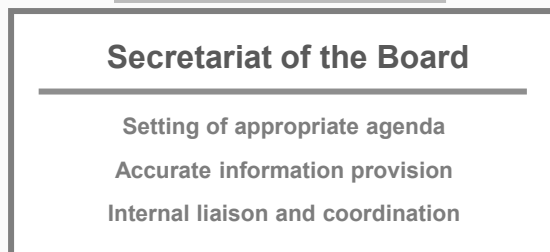
Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources

# Key Points for Taking Action (4)

## (4) Are discussions and oversight being carried out at the board level for items (1) through (3)?



Support enhancement of effectiveness and further invigoration of discussions



### Initiatives expected to be undertaken

- From a governance perspective aimed at ensuring the effectiveness of initiatives, it is expected that **the board of directors will take the lead in conducting integrated discussions** on the policies and decisions related to points (1) through (3) and will **continuously verify their appropriateness from the perspective of enhancing medium- to long-term corporate value**.
- **To make such discussions and oversight by the board of directors effective**, it is expected not only that inside directors will play a leading role in examining policies and engaging in dialogue with investors, but also that **independent directors will recognize their role in representing the perspectives of shareholders and investors**. In doing so, independent directors are expected to **proactively participate in substantive discussions** by engaging directly in dialogue with investors when necessary and **reflecting the perspectives and issues identified through such dialogue in board of directors' deliberations by putting them on the agenda**.
- Furthermore, **strengthening the functions of the secretariat of the board is also important** as a foundation for supporting effective discussions and oversight by the board of directors. Specifically, beyond merely ensuring the smooth operation of board of directors' meetings, the secretariat of the board is expected to **establish an environment conducive to substantive discussion by setting appropriate agendas based on the medium- to long-term management policy and the current business environment**, and by **serving as a liaison to coordinate internally so that company information can be accurately provided to independent directors**.
- In addition, from the perspective of advancing initiatives while gaining the trust and support of investors, it is expected that **the status of discussions and oversight conducted by the board of directors will be communicated to investors in an easy-to-understand manner, and that dialogue with investors will be further deepened based on such disclosures**.

# (Reference) Related Documents

**Action to Implement Management that is Conscious of Cost of Capital and Stock Price** (published on March 31, 2023)

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/uorii50000004tcv.pdf>

**Key Points and Examples Considering The Investor's Point of View** (published on December 26, 2025)

**How to use Points and Case Studies**

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000000ghzs.pdf>

**Cases Where Companies Are Not Aligned With Investors' perspectives**

- Introduction of ten examples of misalignment, categorized into three levels based on the status of initiatives

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/dh3otn000000lfxh.pdf>

**Key Points Considering The Investor's point of View**

- Introduction of key points of initiatives expected by investors and examples of initiatives that addressed these key points

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000000gi0i.pdf>

**Case Studies of Companies' Initiatives Toward Issue Resolution**

- Introduction of six case studies that outline the initiatives undertaken by companies to resolve their issues

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000000gi0n.pdf>

**2025 Case Studies (Prime Market)**

- Introduction of initiatives from 21 Prime-listed companies that were well received by investors

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000000gi0s.pdf>

**2025 Case Studies (Standard Market)**

- Introduction of initiatives from 12 Standard-listed companies that were well received by investors

<https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000000gi0x.pdf>

## (Reference) Examples of Initiatives Related to the Key Points (Excerpts from previously published case studies) (1/2)

### 1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented?

<b>ASAHI KASEI CORPORATION</b>	3407	Prime	The company explained their policies and initiatives in an easily digestible story format by setting out questions from the perspective of stakeholders, beginning with measures to improve PBR, and having the management team respond to those questions.	2024 Case Studies (Prime) Page 5
<b>Mitsui Chemicals, Inc.</b>	4183	Prime	The company presented the direction of its business portfolio reform and provided a detailed explanation of each segment's medium- to long-term targets, KPIs, and business strategies.	2025 Case Studies (Prime) Page 15
<b>Mitsubishi Electric</b>	6503	Prime	Along with advancing the business portfolio strategy, including withdrawal and divestiture, the underlying approach and future direction are explained to investors in an easy-to-understand Q&A format.	2025 Case Studies (Prime) Page 5,6
<b>THK</b>	6481	Prime	To improve ROE, the company discloses their future initiatives chronologically, focusing on both improving operating profit and streamlining equity capital.	2025 Case Studies (Prime) Page 17
<b>Hochiki</b>	6745	Prime	The progress of and issues around optimizing the business portfolio are carefully explained, and, based on these, the future direction of initiatives is presented.	2025 Case Studies (Prime) Page 56
<b>RYODEN</b>	8084	Prime	A policy for business portfolio transformation through proactive investment in growth businesses is clearly indicated, and specific goals and strategies are disclosed for each segment.	2025 Case Studies (Prime) Page 68,69

### 2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision?

<b>THK</b>	6481	Prime	The company discloses specific policies on balance sheet management and capital allocation, detailing how current and future cash flows will be allocated between growth investments and shareholder returns.	2025 Case Studies (Prime) Page 19
<b>Takara Standard</b>	7981	Prime	The company has clearly stated its cash allocation policy: while promoting the sale of non-operating assets such as strategically held shares and idle real estate, they will strengthen growth investments and shareholder returns.	2025 Case Studies (Prime) Page 63
<b>Kanro Inc.</b>	2216	Standard	A detailed cash flow allocation policy is explained which aims to create a virtuous cycle of maximization of operating cash flow through leverage of strategic investments and acceleration of further growth investments	2025 Case Studies (Standard) Page 2
<b>KURIYAMA HOLDINGS CORPORATION</b>	3355	Standard	The capital allocation policy is disclosed in detail, together with a specific explanation of the anticipated outcomes from growth investments.	2025 Case Studies (Standard) Page 6
<b>VIS</b>	5071	Standard	A policy to allocate funds generated through the optimization of cash and deposit levels to growth investments and other areas is clearly articulated, along with a policy to carry out M&As and human capital investments as growth investment themes.	2025 Case Studies (Standard) Page 13
<b>FUKUVI CHEMICAL INDUSTRY</b>	7871	Standard	Regarding capital allocation, specific plans are disclosed for increasing cash reserves through optimizing CCC and selling strategic shareholdings, as well as utilizing these assets mostly for growth investment.	2025 Case Studies (Standard) Page 27

## (Reference) Examples of Initiatives Related to the Key Points (Excerpts from previously published case studies) (2/2)

### (3) Are the assets it holds in an optimal state for value creation?

<b>ASICS Corporation</b>	7936	Prime	In order to improve capital efficiency, the company disclosed its plan to sell all cross-shareholdings and allocate the resulting cash for investment in growth and shareholder returns.	2024 Case Studies (Prime) Page 53
<b>Itoki</b>	7972	Prime	As part of their management strategy to enhance corporate value, the company is advancing their intellectual property strategy and explain the results of this initiative in detail.	2025 Case Studies (Prime) Page 59
<b>Aoyama Trading</b>	8219	Prime	The company indicates its ideal balance sheet and has begun work to achieve it through measures such as reviewing held assets, compressing inventory, and optimizing liquidity on hand.	2025 Case Studies (Prime) Page 71
<b>SEIBU HOLDINGS</b>	9024	Prime	The company calculated its proprietary ROIC indicators and business-specific hurdle rates and used them to optimize resource allocation, such as in decisions on real estate liquidation and new investments as well as the utilization of site monitoring.	2025 Case Studies (Prime) Page 32
<b>SANKYU</b>	9065	Prime	To achieve an optimal balance sheet, the company discloses their target equity level while promoting balance sheet streamlining through the sale of strategically held shares and the securitization of accounts receivable.	2025 Case Studies (Prime) Page 36
<b>VIS</b>	5071	Standard	A review of the balance sheet identifies an issue with excess cash and deposits. A policy is stated to redirect funds generated through optimizing cash and deposit levels to growth investments and shareholder returns.	2025 Case Studies (Standard) Page 12, 13

### (4) Are discussions and oversight being carried out at the board level for items (1) through (3)?

<b>Ushio Electric</b>	6925	Prime	Analyze the progress and challenges of the initiatives outlined in their growth strategy and disclose them clearly. Investor feedback is reported to the Board of Directors and other relevant bodies and reflected in subsequent management decisions, and the status of these responses is also explained.	2025 Case Studies (Prime) Page 20, 23
<b>RYODEN</b>	8084	Prime	The Board of Directors took the lead in clarifying challenges such as business portfolio strategy, and disclosed its understanding of these issues, together with clear explanations of the strategies and initiatives to address them.	2025 Case Studies (Prime) Page 67
<b>Aoyama Trading</b>	8219	Prime	Even after announcing the mid-term plan, the company felt a sense of crisis over its PBR remaining below 1x. The Board of Directors discussed countermeasures and disclosed the content of these discussions. Initiatives were refined, including formulating additional growth strategies and revising the capital allocation policy.	2025 Case Studies (Prime) Page 71
<b>Nippon Express Holdings</b>	9147	Prime	Given that the PBR has remained below 1x even one year after the management plan was formulated, the company refined their targets and initiatives to accelerate efforts aimed at enhancing corporate value.	2025 Case Studies (Prime) Page 37
<b>NISHIKAWA RUBBER</b>	5161	Standard	With PBR still below 1 even after formulation of the medium-term management plan, disclosure content and initiatives have been refined to clarify the growth strategy narrative. Capital policy has been revised.	2025 Case Studies (Standard) Page 18
<b>ARAYA INDUSTRIAL</b>	7305	Standard	Along with strengthening dialogue with shareholders and investors, the contents of such dialogue are shared with the board of directors and incorporated in discussions on management strategy.	2025 Case Studies (Standard) Page 24