

Study Group to Review Minority Shareholder Protection and Other Frameworks at Quasi-Controlled Listed Companies (Second Phase)

TSE Explanatory Materials for the Seventh Meeting

Tokyo Stock Exchange, Inc.

October 7, 2025

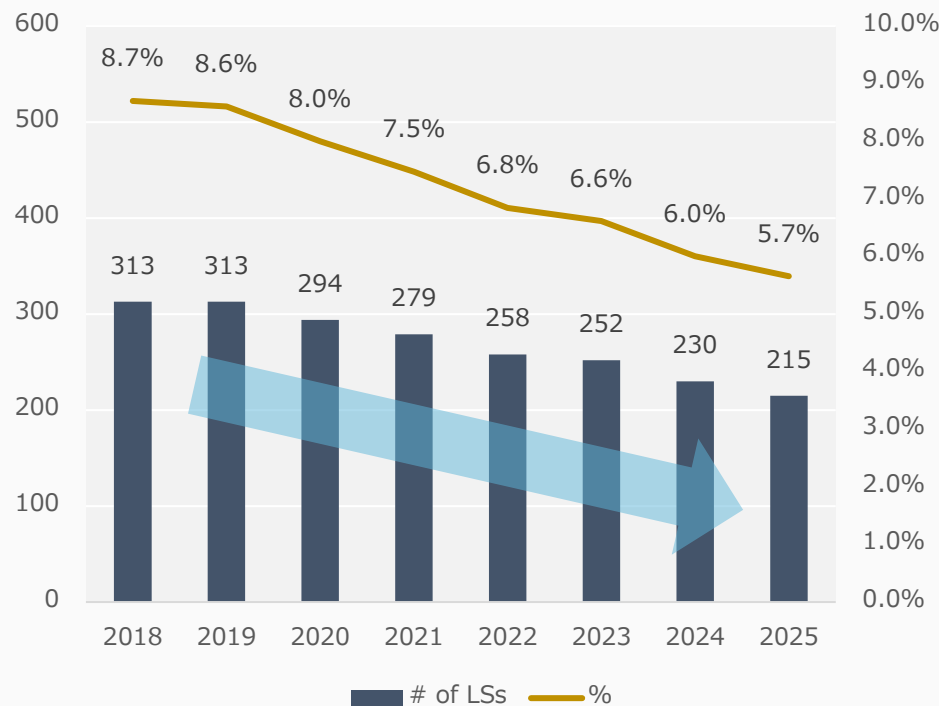


Recent State of Companies in a Parent-Subsidiary Relationship and of Companies in a Relationship Under the Equity Method

Number and Percentage of Listed Subsidiaries

- The number and percentage of listed subsidiaries has been slowly decreasing (215 companies as of July 2025).
 - Amid a growing trend at parent companies to restructure their corporate groups in order to appropriately allocate the group's management resources, many parent companies are converting their listed subsidiaries into wholly-owned subsidiaries or selling the subsidiaries' shares to other companies.

Number and Percentage of Listed Subsidiaries (LSs)



Factors in the Net Decrease of Listed Subsidiaries (LSs)

	End of FY2019	End of FY2020	End of FY2021	End of FY2022	End of FY2023	End of FY2024
# of LSs Added	19	18	13	11	9	17
Shareholdings Increased	10	10	9	5	5	12
Newly Listed	9	8	3	5	4	4
Other (e.g., Parent Company Newly Listed)	0	0	1	1	0	1
# of LSs Subtracted	22	29	42	21	28	28
Became Wholly-Owned	12	12	27	12	11	14
Shareholdings Decreased	6	10	8	8	13	11
Other (e.g., Business Integrated with Parent Company)	4	7	7	1	4	3
Net Decrease	-3	-11	-29	-10	-19	-11

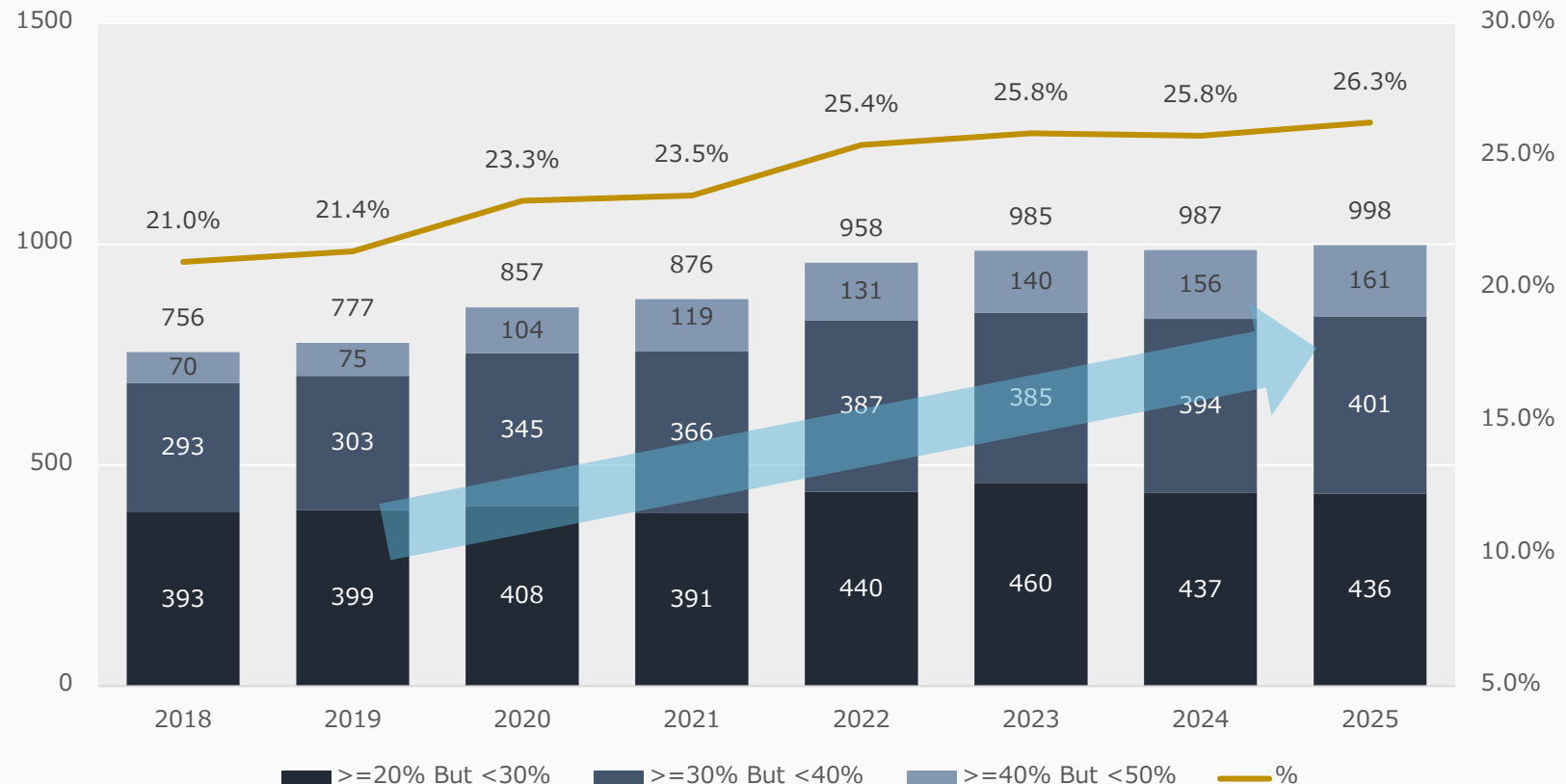
Source: Calculated the number and percentage of listed companies with a listed parent company based on each company's CG report.

- ✓ Study of listed companies with a listed parent company on a fiscal year basis
Source: Nomura Institute of Capital Markets Research, "Nomura Sustainability Quarterly 2025 Summer"

Number and Percentage of Listed Companies with a Quasi-Controlling Shareholder

- While the number and percentage of listed companies with a quasi-controlling shareholder (i.e., a major shareholder holding 20% or more but less than 50% of the listed company's shares) (excluding parent companies and individual shareholders) will vary depending on the capital ties that are formed between companies after listing, they are still increasing slightly (998 companies as of July 2025).

Number and Percentage of Listed Companies with a Quasi-Controlling Shareholder

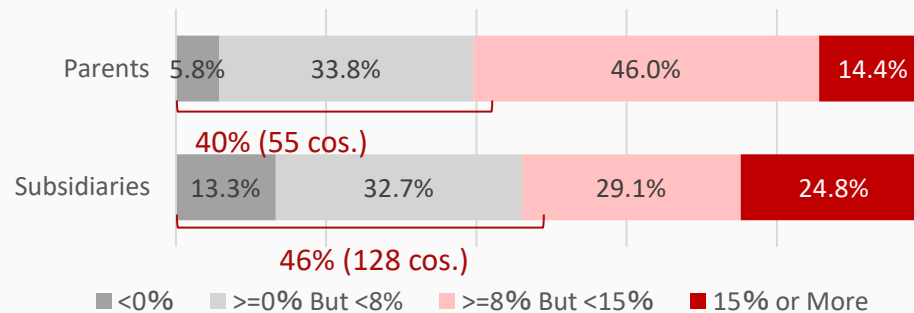


Source: Calculated based on each company's CG report. First, the total number of companies with a quasi-controlling shareholder was calculated. Then, from said total, the number of companies with a parent company and the number of companies whose largest shareholder was an individual were excluded.

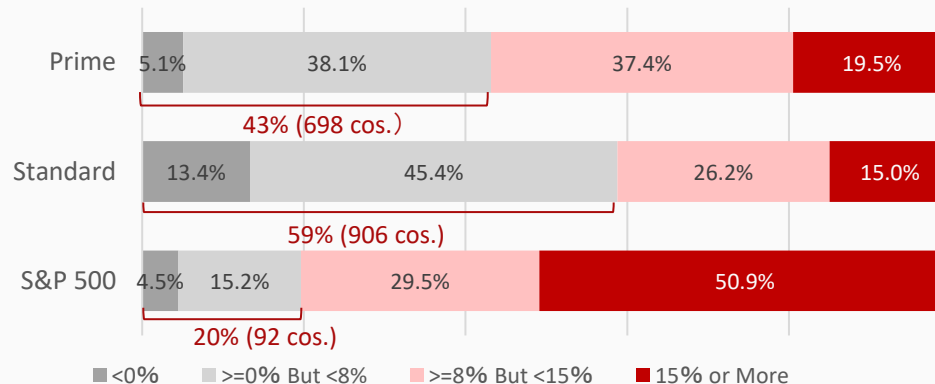
Management That Is Conscious of Cost of Capital and Stock Price

- The percentage of companies that have a parent-subsidary relationship and that have an ROE of less than 8% was still 40% or more.
- About 90% of parent companies and 60% of listed subsidiaries have made disclosures in response to TSE's request to take action to implement management that is conscious of cost of capital and stock price.
 - TSE has heard from some investors who expect that companies will also make considerations/disclosures regarding the best approach to parent-subsidary listings in terms of capital efficiency and improving corporate value as part of their responses to TSE's request.

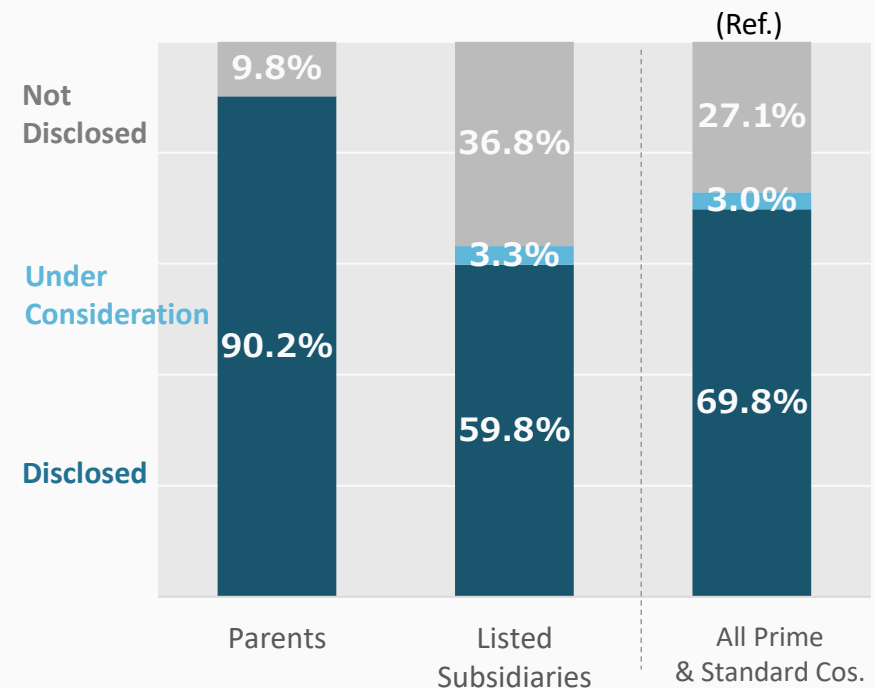
ROE Distribution



(Ref.) ROE Distributions of the Prime Market, Standard Market, and S&P 500



Latest Status of Disclosures on Management That Is Conscious of Cost of Capital and Stock Price



Source: Charts made by TSE. TSE-listed company data provided by QUICK (as of July 14, 2025). S&P500 data provided by Bloomberg (as of Sep. 30, 2025).

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(As of Aug. 31, 2025)

Status of Appointment of Independent Directors

- With respect to minority shareholder protection, companies with a controlling shareholder made some progress in appointing independent directors and establishing special committees in line with the 2021 Revisions to the Corporate Governance Code.

Principle	Overview	Compliance Rate	
		Prime	Standard
Supplementary Principle 4.8.3	Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.	91.3%	73.9%

(As of July 12, 2024)

(Note) The denominator of the compliance rate is the total number of companies that are listed on said market and that have a controlling shareholder.

Appointment of Independent Directors (IDs) at Companies with a Controlling Shareholder

			Ref.		
	# of Cos.	(Ref.) # That Refer to the Establishment of a Special Committee	Prime	Standard	Growth
Cos. <u>with a</u> Controlling Shareholder	572 cos.	144 cos.	122 cos.	267 cos.	183 cos.
Majority of Directors are IDs	105 cos. (18.4%)	26 cos. (P: 21, S: 3, G: 2)	49 cos. (40.2%)	25 cos. (9.4%)	31 cos. (16.9%)
1/3 to 1/2 of Directors are IDs	321 cos. (56.1%)	97 cos. (P: 57, S: 33, G: 7)	71 cos. (58.2%)	156 cos. (58.4%)	94 cos. (51.4%)
Less than 1/3 of Directors are IDs	146 cos. (25.5%)	21 cos. (P: -, S: 19, G: 2)	2 cos. (1.6%)	86 cos. (32.2%)	58 cos. (31.7%)
			1,622 cos.		
			425 cos. (26.2%)		
			1,177 cos. (72.6%)		
			14 cos. (0.9%)		

(As of July 14, 2025)

Source: Calculated by TSE based on each company's CG report.

- While many institutional investors have praised the fact that companies are beginning to consider the best approach to parent-subsidary listings in terms of minority shareholder protection and group management (e.g., capital efficiency and improving corporate value), some have asked TSE to further encourage companies to make such considerations and efforts.

[Regarding the Recent Actions by Companies to Review the Best Approach to Parent-Subsidiary Listings]

- Recently, in such cases as NTT Data and Mitsubishi Shokuhin, as parent companies in particular review their business portfolio strategies with an awareness of cost of capital and stock price, **we're beginning to see them reconsider the best approach to parent-subsidiary listings and pursue restructuring.** (Domestic Institutional Investor)
- In the past several years, we have begun to see some examples of **parent companies that have changed their attitude and have properly committed to protecting their subsidiaries' minority shareholders.** We have also seen signs that they are **talking with their subsidiaries about the best approach to related party transactions and improving their subsidiaries' PBRs, and if necessary, considering improvements.** (Overseas Investor)
- As a result of TSE's efforts with respect to parent-subsidiary listings, **companies have begun to make progress in considering the matter,** and we view this positively. Parent-subsidiary listings continue to be a matter of very high interest for both domestic and overseas investors. TSE **should be proactive in communicating** its expectations to listed parent companies and their listed subsidiaries. (Domestic Institutional Investor, Overseas Investor)
- Since the publication of "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings" in February, more companies are reconsidering the best approach to such listings. However, **we still see some cases where the company asserts that it is best to maintain the status quo without giving a sufficient explanation.** (Overseas Investor)

[Regarding Parent Companies]

- **In addition to the synergy aspect of group management,** parent companies must **fully recognize the need for minority shareholder protection** and consider the best approach to achieve it. (Domestic Institutional Investor)
- **Some parent companies have not sufficiently considered or explained their reasons and rationale for maintaining parent-subsidiary listings in terms of the group's capital efficiency and improving the group's corporate value.** Some believe that if a parent company wishes to respect the independence of the subsidiary's management, it should either sell the subsidiary or form a business alliance with it; however, if the parent company wishes to enhance synergies within the group, it should make the subsidiary wholly-owned. Therefore, if a parent company **chooses to accept the responsibility of protecting its subsidiaries' minority shareholders and maintains its parent-subsidiary listings** in spite of such beliefs, TSE should insist that **the parent company explain its rationale for doing so.** (Domestic Institutional Investor)
- Many parent companies suffer from a conglomerate discount. **When they focus on such indicators as sales and profits, they naturally conclude that they should keep their subsidiaries listed. However, they should pay greater attention to ROE and PBR. TSE needs to further encourage parent companies to implement management that is conscious of cost of capital and stock price.** (Overseas Investor)

[Regarding Subsidiaries]

- We still encounter subsidiaries and affiliates **that are not worried about having a PBR below 1x and refuse to engage in dialogue**. In many cases, their earnings briefings are conducted only in-person and not simultaneously online. **They should not simply defer to the wishes of their parent companies. Instead, as listed companies with minority shareholders, they should engage with the market and make efforts to improve their corporate value.** (Overseas Investor)
- There are still **a considerable number of cases where we fear that the interests of the subsidiary's minority shareholders are being undermined, for instance, in such situations as the subsidiary's dealings with the parent company, its use of the group's cash management system, and its privatization**. While governance at listed subsidiaries is extremely important, we feel that **their governance systems** (including the supervisory functions of their outside directors) **are not effective enough** under the present circumstances. (Overseas Investor, Domestic Institutional Investor)
- **We would like TSE to take more decisive action regarding the governance systems** of companies with a parent company. The tangibles only take on meaning when the minimum formalities (e.g., securing a majority of independent directors and appointing outside directors to chair the board of directors and the nomination and compensation committees) have been met. (Domestic Institutional Investor)

[Companies in a Relationship Under the Equity Method]

- While it appears that companies in a parent-subsidiary relationship are recognizing the need to make considerations in line with investors' perspectives, **we get the impression that companies in a relationship under the equity method are not making much progress in making such considerations**. As investors' perspectives on parent-subsidiary listings and cross-shareholdings become more severe, maintaining a relationship under the equity method **has become**, in a sense, **the most comfortable state to be in**. (Trust Bank)
- **While the number of listed subsidiaries are decreasing, when you add in the number of listed affiliates, the total amounts to approximately one-third of the companies listed on TSE. In the sense that such relationships, which lead to concerns about conflicts of interest, remain firmly entrenched, TSE's reforms are not yet complete**. It is extremely important for TSE to keep investors informed of the future direction of its governance reforms. (Overseas Investor)
- TSE should make not only companies with a controlling shareholder but also **companies with a quasi-controlling shareholder (i.e., companies under group management by a major shareholder holding 20% or more but less than 50% of the company's shares) recognize the necessity of developing governance systems to protect their minority shareholders (e.g., by establishing special committees composed of independent directors)**. (Domestic Institutional Investor)

Disclosures on Minority Shareholder Protection and Group Management

- TSE is encouraging companies in a parent-subsidary relationship or a quasi-controlling relationship (e.g., a relationship under the equity method) to consider and make disclosures regarding the best approaches to minority shareholder protection and group management.

Mar. 2023

Request for Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

- TSE has requested companies to take action to implement management that is conscious of cost of capital and stock price. (In the case of a listed company that has a listed subsidiary or a listed affiliate, this includes such actions as **reviewing/revising the group's business portfolio**.)
 - As of April 30, 2025, 92% of listed companies on the Prime Market and 51% of listed companies on the Standard Market have made disclosures in response to said request.

Dec. 2023

Enhancement of Information Disclosure on Protection of Minority Shareholders and Group Management

- In order to ensure sufficient predictability for minority shareholders when they make investment decisions, **TSE compiled and published specific points for companies to keep in mind when they make disclosures on minority shareholder protection and group management**.
- In this publication, TSE began to **advise that any listed company in a relationship under the equity method should make disclosures** on minority shareholder protection and group management. (Any listed company in a parent-subsidary relationship is required to make the disclosures.)

Feb. 2025

Publication of “The Investor’s Perspective on Such Matters as Parent-Subsidiary Listings”

- TSE had heard from some investors who pointed out that listed companies’ disclosures on minority shareholder protection and group management did not take investors’ perspectives into account. This publication was compiled based on such feedback. It introduces the **investor’s perspective** on the best approach to parent-subsidiary listings and examples of **specific cases where listed companies’ initiatives are not aligned with it**.

(Ref.) Specific Points for Disclosure Regarding Minority Shareholder Protection and Group Management (Dec. 2023)

- Any listed company in a parent-subsidary relationship is **required to make a disclosure** on minority shareholder protection and group management in its CG Report.

Listed Parent Company

Group Management	
Approach to and Policy on Group Management	<ul style="list-style-type: none"> Basic approach to business portfolio strategy (e.g., ownership of listed subsidiaries, differentiation from other forms of ownership, business portfolio review/revision) Basic approach to/policy on the treatment of listed subsidiaries in the group management system (e.g., involvement in the decision-making process, cash management system)
Reasons for Having the Subsidiary Remain Listed	<ul style="list-style-type: none"> Rationale for holding the company as a subsidiary and for keeping it listed (e.g., advantages/disadvantages, rationale compared to other forms of ownership)

Minority Shareholder Protection	
Measures to Ensure the Effectiveness of the Listed Subsidiary's Governance System	<ul style="list-style-type: none"> Approach to/policy on the exercise of voting rights in the appointment and dismissal of the listed subsidiary's executives Approach to/policy on involvement in the nomination process for the listed subsidiary's executives

Listed Subsidiary

Group Management	
Parent Company's Approach to and Policy on Group Management	<ul style="list-style-type: none"> Positioning of the company in its parent company's business portfolio strategy Current status of and future outlook on the differentiation of business areas within the parent company's group If carrying out cash management with the parent company (e.g., participation in the parent company's cash management system), the reasons for this

Minority Shareholder Protection	
Approach and Measures to Ensure the Necessary Independence from the Parent Company in Order to Protect Minority Shareholders	<ul style="list-style-type: none"> Whether/how the parent company is involved in the decision-making process Outline of the special committee established to ensure independence from the parent company (e.g., permanent/non-permanent, composition, agenda items, authority/roles) Role and use of the nomination committee to ensure that independent officers are independent from the parent company Parent company's approach to/policy on the exercise of voting rights in the appointment and dismissal of independent officers

- ✓ In addition, any listed company in a relationship under the equity method is **advised to make the same disclosure** (however, the disclosure should be made based on such factors as the degree of influence of one company over the other and the extent of their relationship).

- This publication introduces the investor's perspective on the best approach to parent-subsubsidiary listings and examples of specific cases where listed companies' initiatives are not aligned with it.

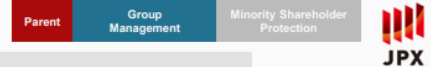
The Investor's Perspective on Such Matters as Parent-Subsidiary Listings

Listing Department
Tokyo Stock Exchange, Inc.

February 4, 2025

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Cases of Misalignment with the Investor's Perspective (1)



1. The parent only cites the advantages of listing its subsidiary

Investors' Comments



Example (based on an actual disclosure)

We have decided to keep the subsidiary listed because we believe that its credibility as a listed company will help expand our client base, secure human resources, and maintain and improve employee morale, and this will contribute to increasing our group's corporate value.

Example (based on an actual disclosure)

We believe that we have sufficient grounds for keeping the subsidiary listed because doing so helps it acquire talented human resources, maintain and improve employee morale, and receive flexible financing from the capital market.

- ✓ There are many cases where the parent company merely cites the advantages of listing its subsidiaries and does not consider or explain **whether this is optimal in terms of capital efficiency and improving the group's corporate value**.
- ⇒ In TSE's request to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," companies are expected to **appropriately allocate management resources by being conscious of the cost of and returns on capital** and doing such things as reviewing their business portfolios.
- ⇒ As the parent company **considers the balance sheet and cash allocation policy that it is hoping to achieve**, it should also discuss and explain **how it will position and utilize its listed subsidiaries**.
- ⇒ In addition to qualitative analysis, the parent company needs to perform **quantitative analysis** from the perspective of **capital returns** (e.g., ROE and ROIC) and **market valuation** (e.g., PER and PBR) to determine such things as **whether the subsidiary is achieving a return on capital that exceeds the cost of capital**.
- ⇒ It is also important for the parent company to consider **the best owner principle (whether it is the holding entity that maximizes its subsidiary's corporate value)**. As a result, it may choose to sell its subsidiary to a third party. Investors applauded companies like Hitachi and Fujitsu for **considering their business portfolio strategy and selling some of their subsidiaries**.

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Status of Disclosures on Minority Shareholder Protection and Group Management (Parent Companies)

- Parent companies' disclosures primarily consisted of the advantages of keeping their subsidiaries listed and whether they were involved in their listed subsidiaries' decision-making processes (including whether any contracts regarding items for prior approval/consultation had been concluded).
- The number of disclosures that took into account “The Investor's Perspective on Such Matters as Parent-Subsidiary Listings” (published in Feb. 2025) was still rather limited

Outline of Specific Points for Disclosure	Disclosure Rate (% of change from last year)
Basic approach to business portfolio strategy	
Approach to/policy on ownership of listed subsidiaries	23% (+7%)
Approach to/policy on differentiation from other forms of group company ownership	6% (+0%)
Approach to/policy on the coordination and allocation of business opportunities and business areas within the group	11% (-3%)
Approach to/policy on reviewing/revising the business portfolio, and the status of said review/revision	26% (-4%)
Rationale for holding the company as a subsidiary and for keeping it listed	
Background to holding the company as a listed subsidiary	34% (+6%)
Advantages and disadvantages of it being a listed subsidiary	84% (+8%)
Rationale compared to other forms of group company ownership	4% (+1%)

Divergence from the Investor's Perspective

There were few instances where the parent company explained its rationale for keeping its subsidiaries listed in terms of the group's capital efficiency and improving the group's corporate value.

Outline of Specific Points for Disclosure	Disclosure Rate (% of change from last year)
Approach to/policy on the treatment of listed subsidiaries in the group management system	
Whether there is involvement in the decision-making process at listed subsidiaries, and if so, the nature of such involvement	61% (+5%)
Treatment of listed subsidiaries with regards to the cash management system	7% (+3%)
Approach to/policy on the exercise of voting rights in the appointment and dismissal of the listed subsidiary's executives	26% (+2%)
Approach to/policy on involvement in the nomination process for the listed subsidiary's executives	24% (+3%)

Divergence from the Investor's Perspective

There were few instances where the parent company gave a detailed explanation of how it ensures the effectiveness its subsidiaries' governance systems, including its approaches to and policies on the nomination process for the listed subsidiaries' executives and the exercise of voting rights in the appointment and removal of said executives.

(Note) Calculated based on each company's CG report as of July 14, 2025. The denominator of the disclosure rate is the total number of TSE-listed companies that have listed subsidiaries. The percentage of change is the difference between this year's disclosure rate and last year's disclosure rate (as of July 12, 2024). (The denominator of last year's disclosure rate was the number of listed companies that had listed subsidiaries and that had updated their CG reports between Dec. 27, 2023 and July 12, 2024 with content that had changed from the previous year. The denominator of this year's disclosure rate has a different value.)

Status of Disclosures on Group Management and Minority Shareholder Protection (Subsidiaries)

- Subsidiaries' disclosures primarily consisted of outlines of their special committees and whether the parent company was involved in their decision-making processes (including whether any contracts regarding items for prior approval/consultation had been concluded).
- As was the case with parent companies, the number of disclosures that took into account “The Investor's Perspective on Such Matters as Parent-Subsidiary Listings” (published in Feb. 2025) was still rather limited.

Outline of Specific Points for Disclosure	Disclosure Rate (% of change from last year)	Those Whose Parent Is Listed	Those Whose Parent Is Not Listed
Positioning of the company in its parent company's business portfolio strategy	30% (-3%)	37% (-4%)	8% (-4%)
Current status of and future outlook on the differentiation of business areas within the parent company's group	21% (-1%)	25% (-3%)	10% (+3%)
If carrying out cash management with the parent company, the reasons for this	8% (+1%)	11% (+1%)	1% (+1%)
Whether/how the parent company is involved in the decision-making process	51% (-3%)	56% (-3%)	34% (-7%)

Divergence from the Investor's Perspective

There were few instances where the subsidiary explained the significance of it being a listed subsidiary in terms of improving its corporate value or whether it made sense for it to use the parent company's cash management system.

Outline of Specific Points for Disclosure	Disclosure Rate (% of change from last year)	Those Whose Parent Is Listed	Those Whose Parent Is Not Listed
Outline of the special committee established to ensure independence from the parent company			
Permanent or non-permanent	12% (-4%)	15% (-6%)	6% (-1%)
Approach to ensuring that the committee's composition is independent from the parent company, and the committee's actual composition	46% (-11%)	53% (-13%)	26% (-10%)
Agenda items and authority/roles	46% (-9%)	55% (-11%)	24% (-10%)
Actual activities	11% (-3%)	15% (-3%)	3% (-4%)
Role and use of the nomination committee to ensure that independent officers are independent from the parent company	16% (-2%)	20% (-1%)	3% (-5%)
Parent company's approach to/policy on the exercise of voting rights in the appointment and dismissal of independent officers	5% (-1%)	6% (-2%)	1% (+1%)

Divergence from the Investor's Perspective

There were few instances where the subsidiary gave a detailed explanation of such things as the activities of its special committee in terms of effective governance.

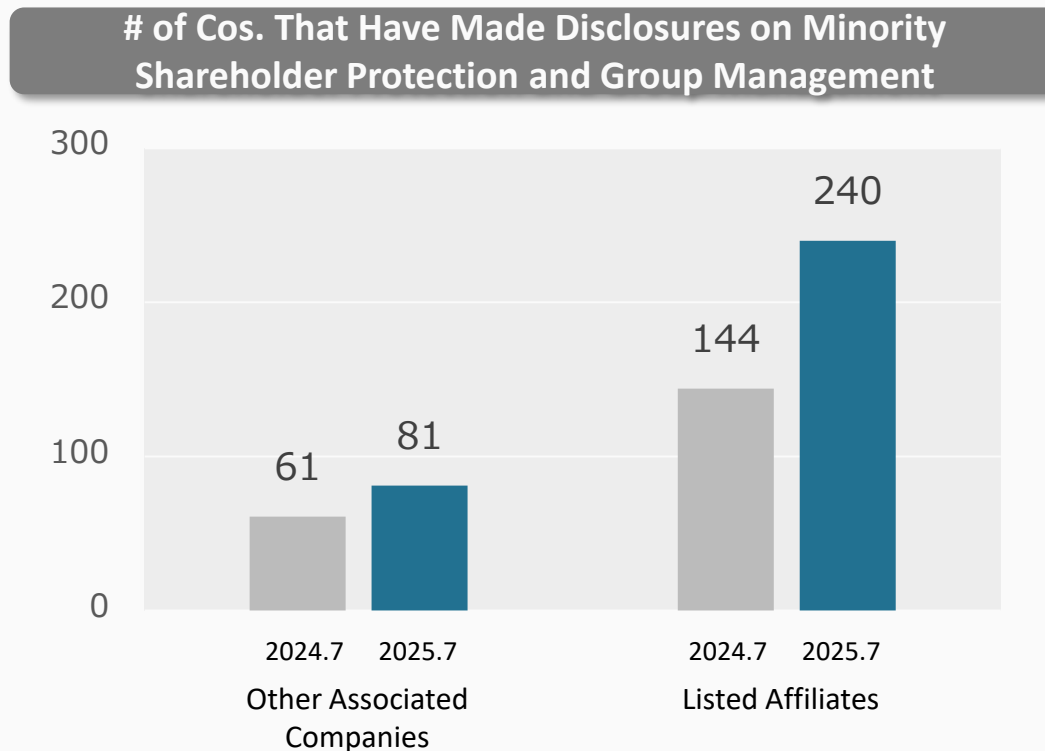
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(Note) The number of listed subsidiaries that have appointed at least one-third of their directors (in the case of Prime Market listed companies, the majority of their directors) as independent directors was excluded from the denominator for the disclosure rates under “Outline of the special committee established to ensure independence from the parent company.”

(Note) The total number of listed subsidiaries that have established a statutory/optional nomination committee was used as the denominator for the disclosure rate of “Role and use of the nomination committee to ensure that independent officers are independent from the parent company.”


Status of Disclosures on Minority Shareholder Protection and Group Management (Companies in a Relationship Under the Equity Method)

- Companies in a relationship under the equity method may choose whether or not to make disclosures on minority shareholder protection and group management.
 - ✓ The degree of influence of one company over the other and the extent of their relationship may vary. Therefore, if, for example, group management is not applicable, a disclosure may be made to that effect.
- Disclosures were made by 81 other associated companies (up by 20 from last year) and 240 listed affiliates (up by 96 from last year).



(Note) Calculated based on each company's CG report as of July 14, 2025.

Items for Discussion

- Listed companies have made **some progress in considering the best approaches to minority shareholder protection and group management.**
 - While investors view such actions positively, some have pointed out that **there is still a gap between their expectations and what listed companies have considered/disclosed.**
 - In particular, they are concerned that companies whose parent company is not listed and companies in a relationship under the equity method still do not fully recognize the necessity of making considerations.
- 
- TSE's policy is to continue encouraging listed companies **so that they will make progress in considering and disclosing the best approach to parent-subsidary listings in terms of both minority shareholder protection and group management** while taking investors' perspectives into account.
 - If you have any opinions on **the approach TSE should take (e.g., the way it should direct messages to listed companies) going forward** with respect to said policy, please share them.
 - In addition, TSE is planning to **publish a collection of examples of companies whose disclosures and initiatives were well-received by investors and the key points to remember (see attachment)** to serve as a reference for companies that are attempting to make positive efforts in their considerations. If you have any opinions on **the contents of the collection of examples (e.g., examples to include and key points to emphasize)**, please share them.
 - ✓ TSE plans to publish the collection of examples by the end of this year, after it has taken today's discussion into account and conducted additional interviews with institutional investors.
 - ✓ The development of the necessary listing rules for protecting minority shareholders at listed subsidiaries and listed affiliates will be discussed at a later meeting.

(Please note that in July, TSE revised the Code of Corporate Conduct on minority shareholder protection in cases where a subsidiary is converted into a wholly-owned subsidiary by its controlling shareholder.)

Publication of "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings"

- **Publish "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings"** based on feedback from investors in Japan and overseas [February 2025]

Follow-Up on the Status of Disclosures on Group Management, etc.

- **Follow-up on the status of disclosures on group management, etc.** [Fall 2025]
 - Confirm the status of disclosures on group management, etc. that take the investor's perspective into account
 - * Not only disclosures by companies in parent-subsidiary relationships, but also disclosures by companies in quasi-controlling/quasi-controlled relationships
- **Publication of Key Points and Examples of Disclosures on Group Management, etc.** [During 2025]
 - Compile key points of disclosures that take the investor's perspective into account and examples of disclosures that have been well received by investors
 - * Focus on examples that consider and disclose how companies manage their groups in terms of capital efficiency and medium- to long-term improvements in corporate value, as required by TSE's request to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."
- **Consideration and implementation of other additional measures based on the above follow-up, etc.** [After Fall 2025]

Development of Listing Rules That Are Necessary for the Protection of Minority Shareholders



- **Continue to consider the development of listing rules**, such as ensuring the independence of independent directors at listed subsidiaries (e.g., revising the independence criteria) and making the appointment of independent directors mandatory. [Ongoing]

(Ref.) Revisions to the Code of Corporate Conduct Regarding MBOs and Subsidiary Conversions

- In July 2025, TSE revised its **Code of Corporate Conduct on MBOs and subsidiary conversions** based on the deliberations of the Council of Experts Concerning the Follow-up of Market Restructuring.

Review the Scope of Actions Covered by the Code

- In such cases as when a listed company decides on an MBO or its conversion into a wholly-owned subsidiary by an entity such as its **controlling shareholder or an other related company (*1)(*2)**, TSE will require the listed company to obtain an "opinion stating that the transaction will not undermine the interests of minority shareholders" and make a "necessary and sufficient timely disclosure" as stipulated in the "Matters to Be Observed" in the Corporate Code of Conduct.

	Subsidiary Conversion by Controlling Shareholder	MBO	Subsidiary Conversion By Other Related Company
(1) Opinion stating that the transaction will not undermine the interests of minority shareholders <ul style="list-style-type: none"> ● Requirement to obtain said opinion from an entity that has no interest in the controlling shareholder 	Already applicable		Newly applicable
(2) Necessary and sufficient timely disclosure <ul style="list-style-type: none"> ● Requirement for necessary and sufficient timely disclosure (including an overview of the share value calculation) 	Already applicable		Newly applicable

*1 "Other related company" refers to that set forth in Article 8, Paragraph 17, Item 4 of the Financial Statements Regulation (cases where a company holds 20% or more of the voting rights, or cases where a company holds between 15% and 20% of the voting rights and can exercise significant influence)

*2 Specifically, this will apply to such cases as when the listed company expresses an opinion on an MBO or a takeover bid by an entity such as its controlling shareholder or an other related company and decides to conduct an action such as a share exchange in connection with the entity (limited to cases where a delisting is expected).

Revision of Content of Code

- (1) Revision of the "opinion stating that the transaction will not undermine the interests of minority shareholders" (including providers and contents)** to improve the effectiveness of the deliberations of Special Committees (see pages 3 to 4)
- (2) Revision of the contents of "necessary and sufficient disclosure of information"** (enhancing disclosure of important assumptions for the share value calculation) to ensure that general shareholders judge the fairness of a transaction on the basis of sufficient information (see page 5)