Study Group to Review Minority Shareholder Protection and Other Frameworks of Quasi-Controlled Listed Companies: Second Phase

Minutes of the Seventh Meeting

Date: Tuesday, October 7, 2025, 10:00 – 11:10

Location: Tokyo Stock Exchange, 15F Special Conference Room

Attendees: See member list

Watanabe, Director, Listing Department, TSE:

We will now commence the Seventh Meeting of the Second Phase of the Study Group to Review Minority Shareholder Protection and Other Frameworks at Quasi-Controlled Listed Companies.

Thank you all for gathering here today despite your busy schedules.

To begin, let me report on today's attendance. Members Kato and Kanda are absent, and the Ministry of Justice, attending as an observer, is joining us online.

With that, let us proceed to today's agenda. First, I would like to provide an overview of today's proceedings.

Ikeda, Senior Manager, Listing Department, TSE:

Thank you again for your time today.

First, by way of administrative notice: the updated member list is attached as document two. We have revised the titles of the members as appropriate. We appreciate your continued cooperation.

Today's meeting marks roughly one year since the previous session. Accordingly, we would like to begin by sharing factual updates on the current status of parent–subsidiary listings as well as the state of disclosures concerning minority shareholder protection and group management. We hope to use this as a basis for our discussions regarding future approaches.

That concludes my remarks.

Watanabe, Director, Listing Department, TSE:

Next, we would like to proceed with an explanation from the TSE, based on the materials provided.

Yamawaki, Manager, Listing Department, TSE:

Allow me to explain the materials.

To begin, I will provide an update on recent developments concerning parent–subsidiary listings.

Page three shows the trend in the number of listed subsidiaries. As shown on the left-hand side of the slide, the number continues to decline gradually, standing at 215 companies as of the latest data.

The right-hand side breaks down the factors behind this trend. As parent companies increasingly review their business portfolios, we are seeing greater momentum toward group restructuring. In particular, there has been an uptick in full acquisitions of listed subsidiaries by parent companies, as well as reductions in ownership ratios through the sale of subsidiary shares to third parties.

Moving on, page four presents the trend in the number of listed companies with a major shareholder holding 20% or more but less than 50% of voting rights.

The number continues to rise slightly due to factors such as the formation of capital relationships through post-listing business and capital alliances. The latest figure is just under 1,000 companies.

Page five addresses the current status of corporate initiatives in response to the TSE's March 2023 request to implement management that is conscious of capital cost and stock price.

As shown in the ROE distribution chart at the top left, over 40% of both parent companies and subsidiaries continue to report ROEs below 8%. This indicates that, consistent with market-wide trends, there remains a strong need to further promote capital cost- and stock price-conscious management.

Looking at the disclosure status on the right-hand side, approximately 90% of parent companies have disclosed relevant information, whereas listed subsidiaries are lagging behind at around 60%.

We have also received feedback from investors expressing the hope that, even among parent companies that have already made disclosures, further consideration and disclosure will be undertaken, specifically regarding the positioning of parent–subsidiary listings, as part of broader responses to capital cost-related expectations.

Next, page six outlines the status of independent director appointments, from the perspective of minority shareholder protection.

Under the 2021 revision of the Corporate Governance Code, companies listed on the Prime Market with a controlling shareholder are expected to appoint a majority of their directors as independent directors, while those on the Standard Market are expected to appoint at least one-third or to establish a special committee.

As shown in the table at the bottom of the slide, the latest compliance rates are around 90% for Prime Market companies and 70% for those on the Standard Market, indicating that companies are steadily advancing in their efforts.

Starting from page seven, the materials summarize the views of institutional investors both in Japan and overseas.

First, regarding recent developments, as noted in the first dotted box, investors have responded positively to the fact that companies are beginning to re-examine the structure of parent–subsidiary listings from the perspectives of enhancing corporate value and improving capital efficiency. Similarly, as noted in the second point, there has also been favorable feedback on the emerging trend of parent companies demonstrating a commitment to protecting the interests of minority shareholders in their subsidiaries.

At the same time, some investors have expressed the need for further progress. For example, with respect to parent companies, there are views that they should fully recognize not only the importance of group synergies, but also the necessity of safeguarding minority shareholders. Additionally, as noted in the bottom bullet point, investors have urged parent companies to go beyond P&L-based indicators such as revenue and profit, and to also emphasize capital efficiency and market valuation in their approach to group management.

Turning to the upper section of page eight, regarding subsidiaries, some investors have pointed out that, as reflected in the relatively low disclosure rates in response to capital cost-related initiatives, there remains a lack of awareness around capital efficiency. There are also subsidiaries that do not engage in investor dialogue. In the second point, concerns remain regarding minority shareholder protection, and there are calls for more proactive measures to be taken.

Lastly, the lower section addresses companies in relationships under the equity method. Compared to parent–subsidiary structures, many investors have expressed concern that such companies have not sufficiently recognized the need to consider issues related to group management and minority shareholder protection.

Given that a significant portion of listed companies now fall into this category, some have pointed out that this is becoming an increasingly important issue going forward.

Next, starting from page nine, the materials move on to a follow-up on the current state of disclosures related to group management and minority shareholder protection.

Page 10 reviews the initiatives undertaken to date, as discussed in this Study Group.

In December 2023, the TSE compiled and published key disclosure points concerning group management and minority shareholder protection. Then, in February of this year, based on feedback noting that gaps remained between investor expectations and corporate disclosures, the TSE released additional reference materials. These summarized concrete scenarios where such gaps are likely to arise, with the aim of supporting further improvements in disclosures and responses.

Pages 11 and 12 provide a recap of this content, so I will omit the detailed explanation here.

Starting from page 13, the materials present the actual status of disclosures.

First, on the parent company side, as shown in the highlighted sections, disclosure rates are relatively high with respect to the perceived benefits of retaining subsidiaries as listed entities, as well as whether or not the parent is involved in the subsidiary's decision-making processes.

On the other hand, as noted in the speech bubble, there are only a limited number of cases in which companies explain the rationale or advantages of maintaining a listed subsidiary from the perspective of enhancing corporate value or capital efficiency, in a manner that aligns with investor expectations. Likewise, there are few instances where parent companies provide specific explanations, such as their involvement in executive nomination processes, regarding how they take into account the governance systems of their subsidiaries from the standpoint of minority shareholder protection.

Turning to page 14, which covers disclosures on the subsidiary side, we again see relatively high disclosure rates regarding whether the parent company is involved in decision-making and in outlining the structure of any special committees established.

However, as indicated in the speech bubble at the bottom left, there are only a limited number of cases in which listed subsidiaries explain the rationale for their continued listing, specifically, from the perspective of enhancing their own corporate value.

Moreover, from the standpoint of minority shareholder protection, investors have expressed strong interest in disclosures that confirm the effectiveness of special committees, particularly concerning the nature of discussions conducted by such bodies. Nonetheless, disclosure in this regard remains limited to around 10% of companies.

Next, page 15 addresses disclosure practices among companies in equity-method relationships.

Unlike parent–subsidiary relationships, such disclosures are voluntary. That said, 81 companies holding other associated companies and 240 listed affiliates have disclosed information.

Although these numbers have increased from last year, as previously noted, approximately 1,000 companies currently have major shareholders holding between 20% or more but less than 50% of voting rights. In light of this, there remains considerable room for improvement.

Finally, page 17 outlines the items for discussion.

While listed companies have made steady progress in considering the issues at hand, feedback from investors indicates that there remains a gap between current corporate practices and investor expectations. As indicated by the arrow points in the slide, there are particular concerns that, in cases where the parent company is unlisted or the relationship is one of equity-method affiliation, companies have yet to fully recognize the need for such considerations.

In light of these circumstances, the TSE intends to continue encouraging listed companies to advance their efforts in both group management and minority shareholder protection, including in terms of disclosure.

From that standpoint, we would appreciate your views on how best the TSE should communicate its message to listed companies going forward, including possible approaches and messaging strategies.

As one example, we have heard from companies that are already working proactively on these issues, expressing a desire to see examples of other companies that have been positively evaluated by investors, so they may use such cases as reference for their own initiatives.

With this in mind, we have compiled a separate reference sheet that summarizes such examples based on interviews with investors, with a view toward eventually publishing them as a collection of case studies. Following this, we would like to introduce these examples and invite your feedback on their content and how best to present them to companies.

Yokoyama, Manager, Listing Department, TSE:

I will now provide a brief overview of the case study collection.

The cases are broadly categorized into two groups: those where the parent–subsidiary listing is being maintained, and those where steps are being taken to dissolve the parent–subsidiary structure. Starting from page three, we present the cases in which the parent–subsidiary listing is being maintained.

Page four introduces cases that have been positively received by investors from both the perspectives of group management and minority shareholder protection.

From the standpoint of group management, as shown on page five, some companies are highly regarded for clearly explaining the strategic significance of maintaining the subsidiary’s listing, particularly in connection with their business models and strategic alliances.

From the standpoint of minority shareholder protection, as illustrated on page six, certain companies have received praise for thoroughly explaining why their current governance frameworks are considered reasonable. Additionally, as shown on page seven, companies that proactively disclose the substance of discussions held within their special committees are viewed favorably.

Beginning on page eight, we present examples that investors have evaluated positively from a group management perspective.

These include cases where the capital relationship between parent and subsidiary has been effectively utilized to support growth strategies, as well as cases where, although explanations are qualitative, companies have provided clear context and rationale for maintaining the listing, based on their particular circumstances.

Then, starting on page 15, we shift to cases evaluated positively from the perspective of minority shareholder protection.

These include examples where the parent company has actively promoted governance structures to protect minority shareholders at the subsidiary, as well as cases in which independent directors at the subsidiary have proactively articulated their perspectives on governance and contributed to continuous governance improvement.

Next, beginning on page 18, we introduce cases where the company is moving toward dissolving the parent–subsidiary listing.

These include companies that are continuously examining the appropriateness of the listing in the context of business portfolio reform, and cases where companies have utilized quantitative metrics to actively restructure their portfolios while reassessing their policies on holding listed subsidiaries.

That concludes my explanation. Please note that this material is not intended for public release at this stage. We would appreciate your broad-ranging feedback on which cases to feature, what aspects to emphasize, and how best to communicate these examples to listed companies.

Watanabe, Director, Listing Department, TSE:

I would now like to invite your comments. Thank you.

Kikuchi, Member:

To begin, I would like to offer a few thoughts in reflection on the past year. What stood out to me in particular were the positive assessments from investors, especially institutional investors, noting that companies have begun making progress in their considerations. This perception may be influenced by the increasing media attention given to symbolic cases such as full acquisitions and partial spin-offs. As a result, I believe many investors are sensing that real movement is now underway.

On the other hand, as was mentioned in the Secretariat’s explanation, I have not observed any major changes in the content of disclosures over the past year. In fact, areas where disclosure remains insufficient have become increasingly apparent. Therefore, I believe it is important that we consider how to respond more effectively to these deficiencies.

Also, while this may extend beyond the scope of this Study Group, recent moves toward full ownership have received a certain level of approval from market participants. However, when it comes to the valuation of shares in these transactions, I frequently hear concerns during conversations with others in the field, questions such as whether the pricing is truly fair, or whether there is adequate transparency in the share valuation process. In my view, this past year has brought increased attention to such valuation-related challenges.

Given that, I believe one approach going forward, while perhaps not one that yields immediate results, would be to enhance the visualization of the current state. For example, I believe the TSE compiled and published information last year on the status of fairness assurance measures in privatization transactions. Since this kind of data is not readily available on a day-to-day basis, regularly publishing updates, including on matters such as share valuation practices, would help stakeholders from various perspectives gain a better understanding of the actual situation.

Additionally, in the first meeting of the Study Group's second phase, the Secretariat shared findings from a fact-finding survey on governance-related contracts. I found it quite surprising that such contracts are being entered into by a wide range of companies. However, this type of information rarely comes to light, so repeating such disclosures could go a long way in raising awareness. The fact that these contracts are hardly ever disclosed in the material contracts section of Annual Securities Reports is itself problematic, in my view.

While the number of parent–subsidiary listings can be retrieved from various databases, aspects that have not been systematized into databases may be contributing to the emergence of problems. So even if not immediately impactful, I believe that enhancing the visibility of the current situation could be a meaningful approach, both as a source of insight and as a catalyst for future efforts.

Next, I would like to offer some comments on the case study collection. While I understand that designating something as a good example is inherently difficult, I believe that presenting these as existing examples of disclosure, as they stand today, could serve as a useful reference for both listed companies and investors.

As for the overall content, I would raise two points. First is the issue of disclosure mediums. I understand that there are limitations with the Corporate Governance Reports, such as the inability to include charts or diagrams. Many of the examples currently featured appear to come from voluntarily disclosed materials. Ideally, however, such content should also be included in the Corporate Governance Reports and Annual Securities Reports. I think it would be helpful to include a message to that effect somewhere in the materials.

Second, while the case studies include investor comments, I think it would add even more value if they also included remarks from the companies themselves, for example, what they were mindful of when preparing the disclosure. This would provide additional insight for others referencing the examples.

Now, let me comment on some specific cases. In the first case under the category of companies maintaining parent–subsidiary listings, I think the disclosure is relatively advanced, likely due to the company's accumulated dialogue with the market. However, that does not mean all of its disclosures are exemplary. For instance, in its disclosure about the special committee, it only states that the committee reports on related-party transactions with the parent company, without elaborating on the nature of discussions investors would expect to see. Therefore, I believe caution is warranted when treating this as a good example.

As for the fourth case, the detailed description of the cash management arrangement is a point worth highlighting. On the other hand, the section on IR activities is quite generic. If, for example, the disclosure included commentary from outside directors about potential conflicts of interest with the parent company, or mentioned the status of dialogue with the market, it might qualify as a strong example. However, based on the materials provided, those elements are absent, and I question whether there is sufficient value in including this case in the collection.

That concludes my comments.

Sampei, Member:

Thank you for compiling these materials. I would also like to express my appreciation for incorporating the points I raised during the preliminary briefing.

First, I would like to confirm how to interpret the data on page six of document three. At the top of the page, there is a compliance rate listed. For the Prime Market, the compliance rate is shown as 91.3%. Assuming there are 122 companies with a controlling shareholder, this would mean that approximately 111 companies are in compliance. Among those, 49 companies have appointed a majority of their directors as independent directors, and 57 companies, while not meeting the majority threshold, have disclosed the existence of a special committee. That leaves around five companies that are classified as being in compliance, but for which the actual basis of compliance is unclear. Is this interpretation correct?

Similarly, for the Standard Market, there are 267 applicable companies, of which 197 are reported as being in compliance. Among those, 181 companies have appointed at least one-third or a majority of their directors as independent directors, and 19 companies have appointed fewer than one-third but have disclosed compliance via a special committee. Is this also an accurate understanding?

Yamawaki, Manager, Listing Department, TSE:

Your understanding of the overall trends is correct. However, I would note one caveat: the compliance rate shown at the top of the page is based on data compiled as of July 2024, which is one year earlier than the other figures. So any minor discrepancies in company numbers may stem from that time gap.

Sampei, Member:

Thank you. That makes sense. So, in the Prime Market, it turns out that fewer than half of the companies comply by appointing a majority of independent directors. In contrast, in the Standard Market, nearly all companies appear to be complying not through the establishment of special committees but by appointing at least one-third independent directors. This is somewhat different from what I had expected and was a notable finding.

As for the summary of investor comments included in the materials, I don't see any issues with the content. However, I would emphasize that investors now have very high expectations regarding what actions the TSE will take going forward. At present, there are signs of positive movement, but that alone is not sufficient. We are now entering a phase where the real question is: what specific steps will be taken from here on out?

With regard to the discussion items, I believe the perspective of both group management and minority shareholder protection is indeed of paramount importance. Depending on how the issues are organized, it may be possible to frame them in a 2×2 matrix, parent and subsidiary companies on one axis, and group management and minority shareholder protection on the other. However, rather than separating these elements, what's more important is to approach them as integrated matters. For the parent company, group management and the potential distortions it may cause in terms of minority shareholder protection must be considered together. For the subsidiary, too, as a member of the group, it must examine minority shareholder protection as an inseparable part of group management. In addition, communication between parent and subsidiary on these points is critical, not only to ensure alignment in group management, but also to ensure that the parent company understands and supports the subsidiary's efforts to protect its minority shareholders. Most importantly, it is vital that this complementary relationship be clearly conveyed to investors. This, I believe, is the key message that must be delivered.

Looking at the case examples, I still get the sense that companies do not fully recognize the need to explain these matters to investors. As for equity-method affiliates, the materials say disclosure is recommended, but it seems there are companies that either lack awareness or are simply disregarding this.

There needs to be a stronger push to instill awareness of this point. On page 15, it is noted that the nature of relationships and the degree of influence varies, but if we leave this entirely up to companies to determine, the resulting disclosures will remain misaligned with the perspectives of shareholders and investors, the actual users of disclosure documents.

The Financial Services Agency's recent revision, removing the words from a management perspective from the material contracts section of Annual Securities Reports, reflects the same idea: Rather than companies deciding what's important from their own management standpoint, disclosures should be based on what is important from the perspective of users. The same principle should apply here: companies should consider what is material to investors when determining what to disclose.

In that sense, I believe it would be helpful for the TSE to formally categorize these relationships. If I were to offer a preliminary framework, I would suggest a five-tier gradient: number one, consolidated subsidiaries, number two, non-consolidated subsidiaries, number three, equity-method affiliates, number four, other equity-method related companies, and number five, business and capital alliances.

And when assessing these, it would be helpful to look at factors such as the scope of group governance; the scope of internal controls; the extent of inclusion in group management; and, critically, whether there are agreements on executive appointments. As Mr. Kikuchi pointed out earlier, the previous fact-finding survey revealed that some companies had entered into executive nomination agreements even with holding ratios as low as 10%.

Furthermore, major shareholders, including top shareholders, have responsibilities to other general shareholders. For example, if a scandal occurs, they should recognize their position and act in a way that contributes to the joint interests of shareholders.

By making these classifications and considerations visible, companies may find it easier to understand which frameworks apply to them. And that, in turn, could foster a stronger sense of duty to disclose information accordingly.

Lastly, regarding the case study collection, thank you as well for reorganizing the layout. I appreciate the updates.

That said, I would suggest further refinement in how the cases are presented. Currently, examples where both the parent and subsidiary provide appropriate explanations of their policies are mixed together with cases where the companies have already reviewed the parent–subsidiary relationship and proceeded with full acquisition or divestiture. These two types of cases are fundamentally different in nature and, in my view, should be clearly separated in the presentation.

Also, as I mentioned earlier regarding the spectrum of relationship types, it would be helpful to indicate what kinds of disclosures are being made at each level of that gradient. Doing so would make the structure and progression of the examples much easier to understand.

In addition, I noticed that many of the case studies cite disclosures from integrated reports. That may be a deliberate editorial choice to enhance readability in the casebook. However, I would note that the SoftBank Group Corp., represented by Mr. Goto, a member of this Study Group, and SoftBank Corp. have provided very robust explanations in their Corporate Governance Reports.

These two companies present an exemplary case where both parent and subsidiary disclose thoroughly, from both group management and minority shareholder protection perspectives, in a manner that is clearly aligned and complementary. Presenting such an example would effectively convey to companies, this is the level of disclosure expected. It's possible that the casebook avoided using Corporate Governance Reports due to the volume of text, but I believe focusing on Corporate Governance Reports, especially such well-structured ones, would be entirely appropriate.

Similarly, the fifth case under the maintaining parent–subsidiary listing category also features disclosures that are well aligned between parent and subsidiary. However, in the subsidiary's Annual Securities Report, certain agreements with the parent company that are mentioned in the case study are not disclosed, on the grounds that they were signed prior to the recent revision of the Cabinet Office Order on disclosure for material contracts. While the TSE's request has resulted in useful information being made available to investors, the company's reluctance to disclose this in its Annual Securities Report raises questions about whether this should be treated as a model case.

Additionally, in the third case, the company states that being listed has contributed to the recruitment of top talent. While that may be true, this is not an appropriate justification for continued listing in and of itself, and I do not believe it should be included as part of a good example.

Lastly, regarding the first case in the category of companies moving toward dissolution of the parent–subsidiary listing structure: The company's Corporate Governance Report published this July explicitly states that it no longer holds any listed subsidiaries. Since this reflects the result of a structural review, I think the current case study, which appears inconsistent with the latest disclosure, is problematic. If this case is to be included, it would be better to highlight disclosures related to the reorganization process instead.

Kuronuma, Member:

I would like to offer a few comments regarding disclosures related to group management and the protection of minority shareholders.

As a starting point, the purpose of this Study Group is to consider how best to ensure the protection of minority shareholders in quasi-controlled listed companies. In the early stages, there was discussion of more prescriptive approaches, for example, tightening the independence requirements for outside directors at such companies, or establishing behavioral standards for both parent and subsidiary listed companies. However, those discussions were set aside for the time being, and the study group decided to first focus on promoting disclosure of the current state of affairs. That has been the working policy to date, as I understand it.

Although the TSE has encouraged disclosure by outlining key points to be addressed, I got the impression that progress remains limited, with disclosure rates still quite low. For instance, on the parent company side, there is very little disclosure of basic positions on business portfolio strategy or the rationale for maintaining the subsidiary as a listed company, particularly when compared with other forms of group ownership. Disclosure also appears lacking on the parent's views regarding its involvement in subsidiary decision-making, such as how it exercises voting rights or participates in the executive appointment process.

Similarly, on the subsidiary side, there is little progress in disclosures regarding how the company fits into the parent's overall portfolio strategy or how business domains are delineated. As for special committees, while companies are required to establish one if they do not meet the threshold for independent directors, majority for Prime Market, one-third for Standard, I was surprised to find that disclosure on the operational status of such committees, including whether they are permanent or ad hoc, is exceedingly rare.

This may be a personal opinion, but I suspect the reason for these low disclosure rates lies in the way the TSE has presented the requirements. Rather than mandating specific items for disclosure, the TSE provided a high-level overview of key points, which likely led companies to treat the guidance as optional. Since the Corporate Governance Report is a disclosure document stipulated by the TSE, if the TSE has the authority to decide its contents, one option may be to reconsider the framework and make disclosure of these items mandatory.

The reason I suggest this is not simply to enhance transparency of the current situation, but because requiring companies to disclose, say, the position of a subsidiary within the parent's portfolio strategy or the policy on business domain delineation, can drive actual behavioral change. If a policy has not yet been defined, the process of preparing the disclosure may prompt the subsidiary to negotiate with the parent to establish one. And if no such policy exists, the company can be asked to clearly state that fact. In this way, disclosure obligations can directly encourage companies to act.

With regard to special committees, the Corporate Governance Code does not provide detailed stipulations on how such committees should be established. Nevertheless, I believe it is important that subsidiaries clearly define and disclose the actual status of these committees, including whether they are standing or ad hoc bodies. Given the low rate of disclosure, my suspicion is that many companies simply have no such framework in place at all.

Ultimately, I believe that requiring disclosure in this way will encourage companies to take real action. I hope this point will be given serious consideration.

Ouchi, Member:

Thank you for the extremely clear materials. I fully agree with the need to enhance disclosures, and I believe companies themselves must actively engage in such efforts.

I would like to ask a question about the interpretation of the ROE analysis on page five. In the case of parent–subsidiary companies, particularly the subsidiaries, should we interpret the data to mean that performance is somewhat poor due to the influence of the parent company? When comparing this with the overall figures for companies listed on the Prime and Standard Markets shown at the bottom of the page, the situation of the subsidiaries does not appear particularly weak, in fact, it may even be better.

Yamawaki, Manager, Listing Department, TSE:

Our intention is not to suggest that there is a significant difference in trends between companies in parent–subsidiary relationships and the overall market. This chart is not meant to imply that the ROE levels of subsidiaries are problematic. Rather, similar to the general trend across the market, it is simply intended to reaffirm that companies in parent–subsidiary relationships also need to promote management that is conscious of capital costs and stock price.

Ouchi, Member:

From what I see on page five, the profitability of listed subsidiaries does not appear to be inferior, in fact, it seems relatively strong. If there were concerns that profitability was being undermined due to transactions with the parent company, then a detailed analysis of the causes would be warranted. But if performance is actually solid, then such analysis may not be necessary, and in that case, this issue may not even require further discussion by this Study Group.

That said, if adverse aspects of the parent–subsidiary relationship were to suddenly emerge and negatively impact profitability, it might still be worth discussing preemptively as a safeguard. I believe any discussion should reflect the actual level of urgency and be clearly aligned with the Study Group's objectives. And if, in fact, the performance of subsidiaries with parent companies is strong, I think the TSE could consider communicating that message more clearly to the market.

Regarding the investor comments summarized on page seven, I agree with many of the points. However, one area where we need to be cautious is distinguishing between active investors and short-termism. While short-termism may not represent the majority of shareholders, it could lead to situations where certain investors reap short-term gains and exit, potentially harming the interests of retail investors. Given that the exchange is also promoting individual investment, I believe it is crucial to protect the interests of retail shareholders.

We should be careful not to amplify investor comments that lean excessively toward short-termism. Going forward, even beyond the issue of parent–subsidiary listings, I believe the TSE should incorporate a perspective that distinguishes between short-termism and other investment approaches. This includes differentiating investor behaviors that pursue the collective interests of shareholders from those focused solely on their own short-term profits and determining how to appropriately respond to each.

Goto, Member:

I generally have no objections to the direction the TSE is considering for its future initiatives. From a management perspective, what we think about most on a day-to-day basis is this: “Is this something we must do, or something we don’t necessarily have to do?” Therefore, I believe it is essential to first draw a clear distinction between must-haves and nice-to-haves.

As Mr. Sampei pointed out earlier in reference to disclosures by our group, it’s true that our materials contain a lot of information. The problem is that if you try to cover all the nice-to-have elements, the final result can easily reach hundreds of pages, and then you receive feedback from investors saying, “This is too much.” As an issuer, this is a dilemma. What we intended as a good-faith effort to be transparent can actually backfire.

For this reason, I believe the items that are required should be clearly codified in rules. For the nice-to-have elements, assuming that the company is genuinely willing to engage with investors, it would be better to leave room for individual character, tailored to the industry and the specific nature of each company’s business. Only then can investor engagement become more meaningful, with investors actively asking questions and fostering productive dialogue.

Along the same lines, regarding the sharing of other companies’ case examples: From listening to the opinions of fellow members today, I understand there are many points of concern. But it’s not necessarily about saying “this case is good” and “this case is bad.” Rather, I think what’s important is for companies to be exposed to a diverse set of examples, each with its own distinct character. If the TSE were to declare, “This is a model example,” I fear that companies might feel compelled to conform to that example, treating it as a standard they must follow. I believe that’s something we should avoid.

To reiterate, my hope is that, once companies are fully compliant with the defined rules, we can then encourage a disclosure culture that also allows each company’s individuality to shine through.

Kansaku, Member:

The Corporate Governance Code is currently undergoing a revision process. As I understand it, no specific proposals have been made in the Follow-up Meeting regarding the Code to focus on corporate group relationships or the protection of minority shareholders in quasi-controlled listed companies. On the other hand, there is a very strong call for streamlining the Code, and such streamlining is likely to proceed during the revision process. In light of this, I would urge that care be taken to ensure that the importance of minority shareholder protection is not diminished or perceived as being weakened as a result.

In particular, Supplementary Principle 4-8 (3) is critical. As part of the streamlining process, it is expected that each supplementary principle will be reviewed to determine whether it should remain within the comply or explain framework. In my view, Supplementary Principle 4-8 (3) must remain subject to the comply or explain approach. Furthermore, the revision of the Corporate Governance Code should reinforce the notion that minority shareholder protection in quasi-controlled listed companies is becoming even more important.

Second, following up on Mr. Kikuchi’s point: There is a tendency for matters that should be disclosed in the Annual Securities Report, such as important contracts, to be included only in the Corporate Governance Report, with no corresponding disclosure in the Annual Securities Report. I believe it is important to emphasize that the Annual Securities Report should be the primary disclosure document and to encourage companies to disclose important contracts appropriately within that report.

Third, regarding the content of disclosures: Like Mr. Kuronuma, I also feel that further promotion of disclosure is needed. Moreover, among the various items being disclosed, there are some areas that are particularly important for the protection of minority shareholders in quasi-controlled listed companies. For example, on page 13, there is a reference to the parent company's thinking on exercising voting rights in the appointment of subsidiary executives. On page 14, there is discussion of how nomination committees are used to ensure the independence of independent officers. These are precisely the kinds of items that should be expanded upon in disclosure, and I would urge the TSE to consider whether these should be formalized into mandatory disclosure requirements.

Regarding the first case example mentioned in the materials: It is highly instructive. The materials note that the special committee reports on related-party transactions involving the parent company and conducts conflict-of-interest checks, allowing us to get a sense of part of the committee's actual activities. Meanwhile, based on our discussions in this Study Group to date, there have been very few cases where the fairness of individual transactions between controlling and controlled companies within a corporate group has become an issue. Rather, I understand that there has been a strong view that what matters more is how business domains are coordinated between the parent company and its subsidiaries. Since this example likely involves many overlapping business areas between the parent and subsidiary, I believe the most important point is to explicitly state and explain the company's approach to coordinating and allocating business opportunities and business domains within the group before disclosing the details of the special committee's deliberations. On that basis, the disclosure that the special committee reviews individual transactions should be presented as a good example; otherwise, there is a concern that it could deviate from the key points discussed in this Study Group. Furthermore, I think it would be desirable for the company to disclose, to a reasonable extent, the substance of the special committee's deliberations, including the policies on which those discussions are based.

Lastly, regarding companies other than parent–subsidiary structures, one notable change that occurred between the last meeting and this one is the amendment to the Financial Instruments and Exchange Act, which revised the threshold for mandatory tender offer (TOB) regulations from the one-third rule to 30%. Under this revision, holding 30% or more of voting rights is now regarded as acquiring control under the law. Therefore, companies with holdings above this 30% threshold, apart from Mr. Sampei's previously mentioned classification, should perhaps be recognized as a distinct and important category. While overly fine-grained typologies can lead to excessive complexity, I believe 30% or more is a significant benchmark. As we consider intensifying our efforts moving forward, special attention should be given to this 30% threshold.

Apologies for the somewhat scattered remarks. That concludes my comments.

Takei, Member:

I have two points to raise.

First, regarding the term gap: The investor comments included in the materials are broadly reasonable from the investor side, but in reality, companies receive a wide variety of feedback from different types of investors. Lately, I feel there has been a noticeable increase in investors with short-termist views. When it comes to parent–subsidiary listings, there are investors who will dismiss any explanation from the company, insist that the arrangement is fundamentally flawed, and attempt to push for an event that will produce quick gains. We are hearing many such voices.

So, if we're going to talk about a gap, I believe it's critical that the perspective include not just investor opinions but also active input from companies themselves. What are investors actually saying? Are those views truly aligned with sustainable, medium- to long-term value creation? I think we need to hear more directly from the corporate side as well. Not all investors are thoughtful medium- to long-term holders like the members gathered here today; there is a diverse landscape of investor behavior. It's important that we recognize this and aim to collect feedback in a genuinely two-way fashion.

Second, this is somewhat related to the issue of short-termism; in reviewing the case studies, I found several good examples. But for both parent and subsidiary companies, what's crucial is how they can articulate a value-creation story that conveys competitive advantage. As indicated in the Five Principles for Board to Directors to Enhance Earnings Power issued by the Ministry of Economy, Trade and Industry this past April, listed companies must be able to show that they are committed to growth investments, and whether their current capital relationships support or hinder that effort.

Efforts to enhance corporate value should begin with the listed subsidiaries. And when it comes to inviting long-term shareholders, the question becomes: Are they genuinely engaged in growth investment, including in human capital? Are they capable of articulating a compelling, competitive value-creation narrative? I believe this is an opportunity for listed companies to reflect on their fundamental responsibility to foster and communicate a credible, sustainable value-creation strategy.

Sampei, Member:

Listening to everyone's comments today, I've gained a renewed understanding of the concerns expressed by Mr. Ouchi and Mr. Takei regarding short-termism. At the same time, I find short-termism to be a somewhat elusive concept. From the perspective of an investor who wants to make long-term investments, if they are asked, "Can you invest in this company for the long term?" and cannot be confident in the company's future, they may ultimately end up not holding the investment for long. So defining or identifying short-termism is inherently difficult. That said, I believe what both of you are referring to as short-termism are investors who, from the outset, have no intention of holding long term and instead make investments with short-term goals in mind.

It is difficult to classify investor types definitively, but perhaps we could identify at least two broad categories. For instance, companies managing a large number of collective investment schemes, such as public mutual funds, may end up being either long- or short-term holders depending on the case, but fundamentally they are traditional institutional investors, who, when given the opportunity, likely prefer to hold long term. On the other hand, some private funds, such as those structured as private placements, target a narrow group of investors and take action designed to trigger a company response, after which they exit quickly. These investors do not intend to engage over the long term; rather, they aim to produce a short-term outcome and profit from the market reaction. Then there is a third category: investors managing their own capital. These individuals may not be captured in existing interviews, but if we could at least classify the first two categories, it would help us better understand the context behind their differing views.

One more point, regarding the ROE data on page five, which Mr. Ouchi mentioned earlier: During the first phase of this Study Group, we debated whether the performance of listed subsidiaries was good or bad. I recall submitting a document at the time that showed evidence suggesting that listed subsidiaries were underperforming. If the goal is to conduct a similar comparative analysis again, I think it would be clearer to directly compare the performance trends of companies that are listed subsidiaries versus those that are not, within both the Prime and Standard markets, rather than inferring from the current data.

Kikuchi, Member:

Building on Mr. Goto's remarks, I'd like to touch on the forthcoming statutory standard by SSBJ, which is expected to be introduced soon. Under this standard, the content to be disclosed must be material, and the issuer is expected to consider whether the information is useful for investor decision-making.

In this context, I think both sides, companies and users, i.e., investors, need to give serious thought to what qualifies as important information. It is important that companies take the lead in first presenting what they consider to be material information related to parent–subsidiary listings. Then, investors can respond by saying, “Yes, this makes sense,” or “This part should be framed differently,” and so on. I was reminded once again that the key lies in building up this kind of interactive dialogue between both sides.

Watanabe, Director, Listing Department, TSE:

Thank you all very much. That concludes today’s agenda. We will now explain the next steps.

Ikeda, Senior Director, Listing Department, TSE:

Thank you once again for the lively and valuable discussion today. In light of all the feedback we received, we would like to consult with you again during the preliminary briefing regarding the topics to be covered at the next meeting.

Watanabe, Director, Listing Department, TSE:

With that, today’s meeting is adjourned.

Thank you all once again for your participation.