

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

Tokyo Stock Exchange, Inc. Listing Department

December 26, 2023



# Request for Action to Enhance Information Disclosure

- Investors have pointed out that many listed companies with parent-subsubsidiary relationships or equity method affiliations\* **currently do not adequately disclose information on the protection of minority shareholders and group management, even though such information is important for investment decisions.**
- In light of these observations, this document **presents specific points for disclosure** on the protection of minority shareholders and group management in the Corporate Governance Report (CG Report) as **items that investors expect companies to disclose.**
- **This list of disclosure points is aimed at enhancing voluntary disclosure by listed companies and is not intended to mandate the disclosure of specific items.** However, we hope that listed companies (especially those that have not been proactive in disclosing information) will **consider them and take action to enhance their information disclosure, taking into account that the content of such information is important for investment decisions and also serves as a starting point for dialogue with investors.**

\*For example, as of November 2023, there were approximately 310 listed companies with a parent company and 630 listed companies with an other associated company.

# Background and Purpose

	Listed companies in a parent-subsidary relationship (Listed parent company/listed subsidiary)	Listed companies in a relationship under the equity method
Disclosure Rules	<ul style="list-style-type: none"> <li>■ <b>Disclosure</b> of minority shareholder protection and group management is <b>required</b> in the CG report.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Disclosure</b> of minority shareholder protection and group management is <b>not required</b> in the CG report.</li> </ul>
Current Disclosure Situation	<ul style="list-style-type: none"> <li>■ <b>Actual disclosures vary from company to company, and many companies do not disclose enough.</b></li> <li>■ <b>Insufficient disclosure</b> of the following points in particular is said to <b>hinder long-term investment in listed subsidiaries</b>, for example.               <ul style="list-style-type: none"> <li>➢ Influence of the parent company and other shareholders on the listed company's decision-making</li> <li>➢ Basic approach to group management and review of business portfolios</li> <li>➢ Conflicts of interest and their monitoring and control</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Lack of disclosure makes <b>the actual state of group management and shareholder influence unclear</b></li> </ul>
Action	<ul style="list-style-type: none"> <li>■ <b>Set out and clarify the specific points for disclosure related to the required disclosure items (see 1. on the next page).</b></li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Regarding matters related to the protection of minority shareholders and group management, set out the items that are recommended for disclosure and specific points to disclose, and newly recommend disclosure (see 2. on the next page).</b></li> </ul>
Purpose	<ul style="list-style-type: none"> <li>■ Aim for the enhancement of voluntary disclosure based on the viewpoint of investors, enabling investors to factor in a reasonable premium/discount based on information about minority shareholder protection and group management, and making sure that:               <ul style="list-style-type: none"> <li>➢ <b>From the perspective of shareholders, minority shareholders, and investors, sufficient predictability is ensured when making investment decisions; and</b></li> <li>➢ <b>From the perspective of listed companies, obstacles to long-term investment and excessive discounting are eliminated.</b></li> </ul> </li> </ul>	

# Specific Action to be Taken

Company Type	Action to be Taken
<p>1.</p> <p><b>Listed companies in a parent-subsidary relationship</b></p> <ul style="list-style-type: none"><li>• Listed companies with a listed subsidiary</li><li>• Listed companies with a parent company</li></ul>	<ul style="list-style-type: none"><li>• <b>Based on the points</b> presented here, listed companies are requested to <b>enhance their disclosures in the CG Report</b> regarding minority shareholder protection and group management.</li><li>• Listed companies with a listed subsidiary are also encouraged to <b>cooperate sufficiently in their listed subsidiary's disclosure of information.</b></li></ul>

Notes: 1. Listed companies with a parent company include listed companies with a non-listed parent company.  
2. The terms "parent company" and "subsidiary" follow the definitions in the Regulations on Financial Statements.

<p>2.</p> <p><b>Listed companies in a relationship under the equity method</b></p> <ul style="list-style-type: none"><li>• Listed companies with a listed affiliate</li><li>• Listed companies with an other associated company</li></ul>	<ul style="list-style-type: none"><li>• <b>Based on the recommended items for disclosure and specific points for disclosure</b> presented here, companies are requested to <b>newly make voluntary disclosure in the CG report</b> regarding minority shareholder protection and group management.</li><li>• Listed companies with a listed affiliate are also encouraged to <b>cooperate sufficiently in their listed affiliate's disclosure of information.</b></li></ul>
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Notes: 1. Listed companies with an other associated company include listed companies with a non-listed other associated company.  
2. The terms "affiliate" and "other associated company" follow the definitions in the Regulations on Financial Statements.

# Points to Keep in Mind on Action to be Taken

- There is **no intention to newly make disclosure on specific matters mandatory** for either listed companies in parent-subsidary relationships or listed companies in a relationship under the equity method. However, the presented points to note for disclosure are **information that shareholders, minority shareholders, and investors are expecting companies to disclose as important information for making investment decisions, and also serve as a starting point for dialogue with investors.**
- In light of this, TSE hopes that each company will **check each of the points listed against their own situation, consider whether they are applicable and whether they are important for investment decisions, and take action to enhance disclosure accordingly.**
  - The importance of each point indicated to investment decisions may vary depending on the circumstances of each company, so TSE does not necessarily expect companies to disclose all the matters comprehensively.
  - Companies are not expected to extend disclosure to cases where it would be difficult to do so, such as when there is concern of damage to the business or an adverse effect on the market, or when things are not yet determined.
- **Please refer to the Preparation Guidelines for Corporate Governance Reports**, which have been revised in conjunction with this document, for details on the points to note and items to be disclosed. Please also refer to the **sample disclosures** published in conjunction with this document for examples of specific contents of disclosure.
  - The Preparation Guidelines for Corporate Governance Reports and sample disclosures are also available on the JPX website.  
Preparation Guidelines: <https://www.jpx.co.jp/equities/listing/cg/01.html>  
Sample Disclosures\*: <https://www.jpx.co.jp/equities/improvements/study-group/index.html>  
*\*At present (end of March 2024), only the Japanese version is available.*
- Companies should improve their disclosures as necessary at the time of submitting CG reports, such as at the periodic update after the annual general meeting.

# Disclosure by Listed Companies with Listed Subsidiaries



# Purpose/Summary of Specific Points for Disclosure

- When a company has a listed subsidiary, **there are group management implications due to the existence of minority shareholders in the listed subsidiary** (e.g., restrictions on group management due to the need to consider minority shareholders, loss of economic benefits of the listed subsidiary to outside).
- Such a company is expected to provide enhanced disclosure to its own shareholders and investors **about how it ensures overall optimization as a group in this situation.**

Disclosure Item	Outline of Specific Points for Disclosure	Ex.
Approach to and policy on group management	<ul style="list-style-type: none"> <li>● Basic approach to <b>business portfolio strategy</b> <ul style="list-style-type: none"> <li>➢ <b>Approach to/policy on ownership of listed subsidiaries</b></li> <li>➢ Approach to/policy on the <b>use of</b> the listed subsidiary framework and <b>other forms of group company ownership</b></li> <li>➢ Approach to/policy on <b>coordination and allocation of business opportunities and business areas</b> within the group</li> <li>➢ Approach to/policy on <b>reviewing and revising the business portfolio</b> and actual implementation status</li> </ul> </li> <li>● Basic approach to/policy on <b>treatment of listed subsidiaries in the group management system</b> <ul style="list-style-type: none"> <li>➢ <b>Whether there is involvement in the decision-making process</b> at listed subsidiaries, and if so, the nature of such involvement</li> <li>➢ Treatment of listed subsidiaries with regards to <b>the cash management system</b></li> </ul> </li> </ul>	1-1-1 ~1-1-11
Reasons for having subsidiary remain listed	<ul style="list-style-type: none"> <li>● The <b>rationale</b> for holding the company as a subsidiary and <b>for keeping it listed</b> <ul style="list-style-type: none"> <li>➢ <b>Background to holding the company as a listed subsidiary</b></li> <li>➢ <b>Advantages and disadvantages of it being a listed subsidiary</b></li> <li>➢ <b>Rationale compared to other forms of group company ownership, such as wholly owned subsidiaries</b></li> </ul> </li> </ul>	1-1-2 ~1-1-5、 1-1-9、 1-1-12 ~1-1-14
Measures to ensure effectiveness of governance framework for listed subsidiary	<ul style="list-style-type: none"> <li>● <b>Approach to/policy on voting on the election and dismissal of officers of listed subsidiaries</b></li> <li>● Approach to/policy on <b>involvement in the nomination process for officers at listed subsidiaries</b></li> </ul>	1-2-1 ~1-2-5

# Disclosure by Listed Companies with a Parent Company



# Purpose/Summary of Specific Points for Disclosure

- When a listed company has a parent company, **there is a risk of conflict of interest between the parent company and the listed company as well as its minority shareholders, in transactions with the parent company and/or in the coordination and allocation of business opportunities and business areas by the parent company.**
- ▼
- The company is expected to provide enhanced disclosure to its minority shareholders and investors **about how it is addressing these risks of conflict of interest.**

Disclosure Item	Outline of Specific Points for Disclosure	Ex.
Parent company's approach/policy regarding group management	<ul style="list-style-type: none"> <li>● <b>Positioning of the company in its parent company's business portfolio strategy</b></li> <li>● Current status and future prospects for <b>segregation of business areas within the parent company's group</b></li> <li>● <b>If carrying out cash management with the parent company</b> (e.g., participation in the parent company's cash management system), <b>the reasons for this</b></li> </ul>	2-1-1 ~2-1-6
Approach and measures to ensure independence from the parent company that are necessary to protect minority shareholders	<ul style="list-style-type: none"> <li>● Whether/how <b>the parent company is involved in the decision-making process</b></li> <li>● <b>Outline of the special committee</b> established to ensure independence from the parent company               <ul style="list-style-type: none"> <li>➢ <b>Permanent or non-permanent</b></li> <li>➢ <b>Approach to the independence of the committee composition from the parent company, and the composition of committee members</b></li> <li>➢ <b>Agenda items, authority and roles</b> of the special committee</li> <li>➢ <b>Actual activities</b></li> </ul> </li> <li>● <b>Role and use of the nomination committee</b> in ensuring independence of independent officers from the parent company</li> <li>● <b>Parent company's approach to/policy on voting on the election and dismissal of independent officers</b></li> </ul>	2-2-1 ~2-2-10

# Disclosure by Listed Companies with a Listed Affiliate



# Purpose

- When a listed company has a listed affiliate, the below **may vary greatly**:
  - **The relationship between the company and the listed affiliate, and the position of the listed affiliate from the company's perspective, and**
  - **The degree of the company's influence over the listed affiliate** (and the resulting risk of conflict of interest between the company and the minority shareholders of the listed affiliate).
  - ✓ To a company's shareholders and investors, while there are cases where information on group management and measures to protect minority shareholders with regards to listed affiliates may be important for investment decisions from the perspective of ensuring optimization as a group, there are also cases where the company does not apply group management to the listed affiliate in the first place, or the relationship is organized so that no special measures to protect minority shareholders are required.
  
- The following disclosures are expected to be made to the company's shareholders and investors regarding **the company's status regarding its relationship to its listed affiliates**.
  - **Disclosure of information** (depending on the materiality of the information for investment decisions) **on the company's group management and measures to protect minority shareholders with regards to listed affiliates**.  
or, alternatively
  - **Disclosure of the company's status regarding listed affiliates** (e.g., the listed affiliate is not subject to group management, or the relationship is organized so that no special measures to protect minority shareholders of the listed affiliate are required, etc.).
  - ✓ Given that **shareholders and investors of a company cannot necessarily grasp the actual situation around its relationship with its listed affiliates or their position, an explanation of this from the listed company itself is considered to be important information**.

# Items Recommended for Disclosure and Specific Points (1)

## ◆ Recommended item: Reasons for having a listed affiliate based on the company's approach to group management

### Where the above is applicable

(e.g.) When a listed affiliate is subject to group management

Disclose according to the company's own situation

### Where the above is not applicable

(e.g.) When a listed affiliate is not subject to group management

Based on the specific points for disclosure, disclose the company's approach to and policy on group management and the reasons for having a listed affiliate based on those.

Disclose the relationship between the company and its listed affiliates.

### Specific Points for Disclosure

#### Approach to and policy on group management

- Basic approach to **business portfolio strategy**
  - **Approach to/policy on ownership of listed affiliates**
  - Approach to/policy on coordination/allocation of business opportunities/areas within the group
  - Approach to/policy on reviewing and revising the business portfolio and actual implementation status
- Basic approach/policy on **treatment of listed affiliates in the group management system**
  - **Whether there is involvement in the decision-making process** at the listed affiliate, and if so, the nature of such involvement
  - Treatment of listed affiliates with regards to the **cash management system**

#### Reasons for having a listed affiliate

- Rationale for holding the company as a listed affiliate
  - **Background to holding the company as a listed affiliate**
  - **Advantages/disadvantages of it being a listed affiliate**

### Specific Points for Disclosure

- **The absence of a group management structure** (e.g., no shared management policies and strategies, no positioning as a single business within the business portfolio)
- **Purpose of the capital relationship** (e.g., pure investment purposes or specific business purposes)

Note: For disclosure of the approach to and policy on group management and the reasons for having listed affiliates based on these, please also refer to the disclosure examples for the same items for listed companies with listed subsidiaries (1-1-1 to 1-1-14).

# Items Recommended for Disclosure and Specific Points (2)

## ◆ Recommended item: Measures to ensure the effectiveness of the governance system of a listed affiliate

### Where the above is applicable

(e.g.) When special measures are taken to ensure independence from the viewpoint of protecting minority shareholders

Disclose according to the company's own situation

### Where the above is not applicable

(e.g.) When the relationship is organized so that no special measures to protect minority shareholders of the listed affiliate are required

Based on the specific points for disclosure, disclose measures to ensure the effectiveness of the governance system of the listed affiliate

#### Specific Points for Disclosure

- Approach to/policy on voting on the election and dismissal of officers of listed affiliates
- Approach to/policy on involvement in the nomination process of officers at listed affiliates

Note: For the disclosure of measures to ensure the effectiveness of the governance system of listed affiliates, please also refer to the disclosure examples for the same items for listed companies with listed subsidiaries (1-2-1 to 1-2-5).

Disclose that there is little concern about risk of conflict of interest based on the relationship between the company and the listed affiliate or the company's influence over the listed affiliate

#### Specific Points for Disclosure

- Degree of influence through voting rights ownership (e.g., the degree of influence in practice when viewed against the ratio of voting rights exercised at recent shareholder meetings at the listed affiliate and the company's own voting rights ownership).
- Whether there is involvement in the decision-making process at the listed affiliate, and if so, the nature of such involvement (e.g., items to be consented to/discussed)
- Whether there are personnel relationships (e.g., dispatch of officers) or business relationships, and if so, the nature of such relationships
- Whether there are any contracts related to the above and if so, their content

# Disclosure by Listed Companies with an Other Associated Company



# Purpose

- When a listed company has an other associated company, the following **may vary greatly**:
  - **The relationship between the company and the other associated company, and**
  - **The degree of the other associated company's influence over the company** (and the resulting risk of conflict of interest between the minority shareholders of the company and the other company)
    - ✓ While there are cases where information on group management of the other associated company and measures to protect the company's minority shareholders may be important for investment decisions from the perspective of addressing the risk of conflict of interest, there are also cases where the company is not subject to group management in the first place or the relationship is organized so that that no special measures to protect minority shareholders are required.
- The following disclosures are expected to be made to the company's minority shareholders and investors regarding **the company's status in relation to its an other associated company**.
  - **Disclosure of information** (depending on the materiality of the information for investment decisions) **on group management of the other associated company and measures to protect minority shareholders of the company**.  
or, alternatively
  - **Disclosure of the company's status regarding the other associated company** (e.g., the other associated company does not apply group management to the company, or the relationship is organized so that no special measures to protect minority shareholders of the company are required).
    - ✓ Given that **minority shareholders of a listed company and investors cannot necessarily grasp the actual situation around its relationship with its other associated company, an explanation of this from the listed company itself is considered to be important information**.

# Items Recommended for Disclosure and Specific Points (1)

## ◆ Recommended item: Approach to and policy on group management of the other associated company

### Where the above is applicable

(e.g.) When the company is subject to the group management of the other associated company

Disclose according to the company's own situation

### Where the above is not applicable

(e.g.) When the company is not subject to the group management of the other associated company

Based on the specific points for disclosure, disclose the approach to and policy on group management of the other associated company

#### Specific Points for Disclosure

- **Positioning of the company in the business portfolio strategy of the other associated company**
- Current status and future prospects of **segregation of business areas within the group of the other associated company**
- **If carrying out cash management with the other associated company** (e.g., participation in the other associated company's cash management system), **the reason for this**

Disclose the relationship between the company and the other associated company.

#### Specific Points for Disclosure

- **The absence of a group management structure** (e.g., no shared management policies and strategies, no positioning as a business within the business portfolio)
- **Attributes of the other associated company** (e.g., being a privately held asset management company)
- **Purpose of the capital relationship** (e.g., pure investment purposes or specific business purposes)

Note: For disclosure of the approach to and policy of group management of the other associated company, please also refer to the disclosure examples of the same items for listed companies with a parent company (2-1-1 to 2-1-6).



# Items Recommended for Disclosure and Specific Points (2)

- ◆ **Recommended item: Approach and measures to ensure independence from the other associated company that are necessary to protect minority shareholders**

## Where the above is applicable

(e.g.) When the other associated company has a strong influence on the company and special measures are taken to ensure independence to protect minority shareholders.

Disclose according to the company's own situation

## Where the above is not applicable

(e.g.) When the other associated company does not have a strong influence on the company and no special measures are taken to ensure independence to protect minority shareholders.

**Based on the specific points for disclosure, disclose the company's approach and measures to ensure independence from the other associated company**

### Specific Points for Disclosure

- **Whether the other associated company is involved in the decision-making process at the company**, and if so, the nature of such involvement
- **Outline of the special committee** established to ensure independence from the other associated company
  - **Permanent or non-permanent**
  - **Approach to the independence of the committee composition from the other associated company, and the composition of committee members**
  - **Agenda items, authority and roles**
  - **Actual activities**
- **Role and use of nomination committee** in ensuring independence of independent officers from the other associated company
- **The other associated company's approach to and policy on voting on the election and dismissal of independent officers**

**Disclose that there is little concern about risk of conflict of interest based on the relationship between the company and the other associated company or its influence over the company**

### Specific Points for Disclosure

- **Degree of influence through voting rights ownership** (e.g., the degree of influence in practice when viewed against the ratio of voting rights exercised at recent shareholder meetings at the company and the other associated company's voting rights ownership).
- **Whether the other associated company is involved in the decision-making process at the company, and if so, the nature of such involvement** (e.g., items to be consented to/discussed)
- **Whether there are personnel relationships** (e.g., dispatch of officers) **or business relationships, and if so, the nature of such relationships**
- **Whether there are any contracts related to the above, and if so, their contents**

Note: For disclosure of the approach to and measure to ensure independence from the other associated company, please also refer to the disclosure examples for the same items for listed companies with a parent company (2-2-1 to 2-2-10)