

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

TSE Explanatory Materials for the Eighth Meeting

Tokyo Stock Exchange, Inc.

Nov. 28, 2025



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1. Investors' Comments on Current Issues and Other Matters

2. Proposed Measures Under the Listing Rules

- ① Analysis and Disclosure of Such Data as the Percentage of Minority Shareholders That Voted For and Against a Director's Appointment
- ② Revision of Independence Criteria
- ③ Other Discussion Points (e.g., Privatization)

TSE is considering whether it is **necessary to further develop its listing rules** in addition to enhancing information disclosures on such matters as group management. So, it once again **exchanged views with domestic and overseas institutional investors**, primarily those involved in active management, **regarding current issues and other matters**.

- TSE received many comments from investors who were concerned that listed subsidiary executives **did not sufficiently recognize the need to meet the expectations of minority shareholders and investors and to continue to make efforts at enhancing corporate value**. It also received many comments from investors who said that TSE **should continue to further encourage listed subsidiary executives to implement management that is conscious of minority shareholders**.

(Ref.) Comments from Institutional Investors

[The Insufficient Recognition of the Need to Meet Minority Shareholders' Expectations and to Make Efforts at Enhancing Corporate Value]

- We understand that reorganizations are taking place at listed parent companies whose business areas overlap with their listed subsidiaries and that conflicts of interest that arise through such means as direct transactions has diminished. However, **listed subsidiary executives** are not sufficiently aware that **they have a responsibility as executives at an independently listed company to properly consider enhancing their company's corporate value**. TSE should emphasize this point more strongly. (Domestic Institutional Investor)
- There are some listed subsidiaries whose **medium-term management plans and other materials have been made only from figures and topics that have been supplied by their parent company**, and they lack an awareness of enhancing their own corporate value. **In IR settings, they cannot articulate their medium-to-long term visions**. Sometimes they respond by saying that they cannot discuss anything that has not been announced by their parent company. (Overseas Investor)
- In reality, subsidiaries tend to have ROEs that are lower than that of their parent company, and **they have not made progress in implementing management that is conscious of cost of capital and stock price**. (Overseas Investor)
- At listed subsidiaries, particularly those whose executives have been dispatched from the parent company, **the main duty of executives has become the coordination of profits with the parent company. In many cases, they have not sufficiently considered what the subsidiary's medium- to long-term corporate value and stock price should be**. (Overseas Investor)

(Ref.) Comments from Institutional Investors

[The Need and Measures to Encourage the Implementation of Management That Is Conscious of Minority Shareholders]

- Given that, in many cases, the listed subsidiary's executives have been dispatched from the parent company, **it is crucial to foster an environment where they manage with an awareness of the subsidiary's minority shareholders.** At many companies that have made progress in considering and making efforts regarding the best approaches to parent-subsidary listings and minority shareholder protection, **the management's awareness is exceptionally high.** (Overseas Investor)
- **Requesting the analysis and disclosure of the percentage of minority shareholders that voted for and against resolutions at general shareholders' meetings would be effective** in terms of raising management's awareness of minority shareholders. **There are few companies that analyze the reasons why a high number of votes were cast against a resolution or that use it as a catalyst for dialogue with minority shareholders or for initiatives.** Even when investors make calculated engagements, they often fail to resonate with companies. (Overseas Investor)
- The management of quasi-controlled listed companies **should verify the effectiveness of governance and other systems for minority shareholder protection based on the feedback of such shareholders.** Specifically, TSE should ask such companies to **analyze and disclose the percentage of general shareholders that voted for and against resolutions for directors' appointments** and to use that as a catalyst for **considering the adequacy of the company's present initiatives and the need for any additional actions.** (Domestic Institutional Investor)
- **While introducing stock compensation and other incentive plans would be effective** in terms of getting listed subsidiary executives to meet minority shareholders' expectations and make efforts to enhance corporate value, **in many cases, such plans are not introduced at listed subsidiaries due to concerns about reducing the parent company's influence when new shares are issued as compensation and about further reducing liquidity when the compensations are made as the result of share buybacks.** Why doesn't TSE **encourage listed subsidiary executives to hold shares in the subsidiary?** (Domestic Institutional Investor)

- TSE received many comments from investors who asked for **enhancements in the effectiveness and independence of independent directors, who oversee management and play a central role in protecting minority shareholders.**

(Ref.) Comments from Institutional Investors

[Ensuring the Effectiveness and Independence of Independent Directors]

- **It is also crucial to enhance the effectiveness of independent directors who oversee management.** We are concerned whether the independent directors are truly performing their functions since **our requests for dialogue with them are still basically refused.** (Overseas Investor, Domestic Institutional Investor)
- **Requiring the establishment of a majority-of-the-minority condition in an independent director's appointment would be effective** in terms of ensuring the director's independence and getting the director to be more aware of minority shareholders. If that is too difficult, TSE **should** at least **require the disclosure of the percentage of minority shareholders that voted for and against the appointment.** (Overseas Investor)
- TSE **should reconsider whether** its independence criteria **are appropriate as a minimum standard.** While in theory, companies are required to determine actual independence based on TSE's criteria, in practice, **the criteria serve as a foundation for companies that believe that everything will be fine as long as the criteria are satisfied.** (Domestic Institutional Investor)
- **Independence** not only from the parent company but **from large shareholders should be ensured.** There is an actual case of **someone who claimed to be independent but belonged to a large shareholder that held around 30% of the company's shares.** (Overseas Investor, Domestic Institutional Investor)
- It is crucial to **ensure that the appointment process for independent directors is independent from the parent company's wishes.** We expect enhanced disclosures on such matters as whether the parent company was involved in the nomination of candidates and how the nomination committee was used to ensure the candidates' independence. (Domestic Institutional Investor)

Comments from Institutional Investors (4)

- TSE received many comments from investors who **called for additional measures, saying that there are cases where they are concerned about fairness in the privatization of companies (e.g., when a parent company makes a subsidiary wholly-owned)** even after the revision of the Code of Corporate Conduct in July 2025.

(Ref.) Comments from Institutional Investors

[Ensuring Greater Fairness in Privatization]

- While disclosures of such materials as the discussions and written opinions of special committees have been enhanced to a certain extent, **there are still some cases that give cause for concern over price fairness.** (Overseas Investor)
- Even after the revision of the Code of Corporate Conduct in July 2025, **there has not been a significant change in the implementation status of measures to guarantee fairness such as the establishment of premium levels or majority-of-the-minority conditions.** (Domestic Institutional Investor)
- **While I do not consider PBR1x to be an absolute benchmark,** at the very least, a proactive market check **should be performed to see whether there are other buyers who might pay a higher price.** (Overseas Investor)
- Investors **demand that, when parent companies consider whether converting the subsidiary into a wholly-owned subsidiary is the optimal choice, a plan for further management improvements while maintaining the subsidiary's listing or a plan for selling it to another company, be considered alongside this.** (Domestic Institutional Investor)
- **In many cases, "instability" is the only reason given as** the explanation for not establishing a majority-of-the-minority condition. There have been cases where the establishment of such a condition was requested by a special committee but ultimately never occurred and cases where the lower limit was lowered as a result of subsequent changes to the purchasing conditions. **We expect clear explanations of the circumstances behind such cases.** (Domestic Institutional Investor)
- Isn't there also some room for improvement regarding **the best approach to defining what minority shareholders** are included in the majority-of-the-minority condition? There have been some **cases that give cause for concern over fairness (e.g., the inclusion of a capital and business alliance partner that had agreed to subscribe beforehand as a minority shareholder).** (Overseas Investor)

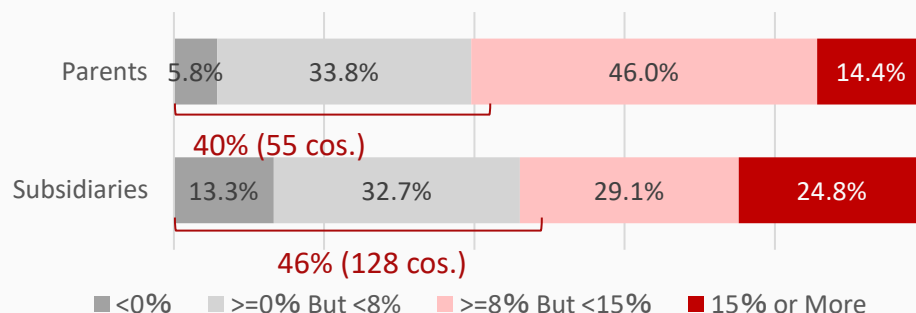
Ref.: Management That Is Conscious of Cost of Capital and Stock Price

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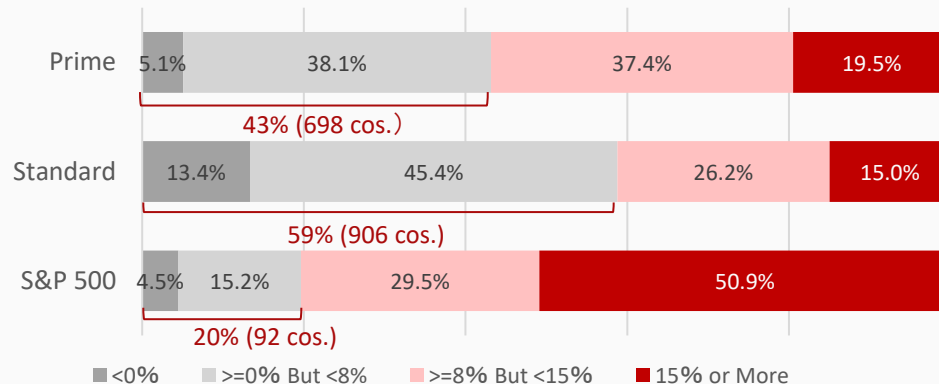


- The percentage of companies that have a parent-subsidary relationship and that have an ROE of less than 8% was still 40% or more.
- About 90% of parent companies and 60% of listed subsidiaries have made disclosures in response to TSE's request to take action to implement management that is conscious of cost of capital and stock price.

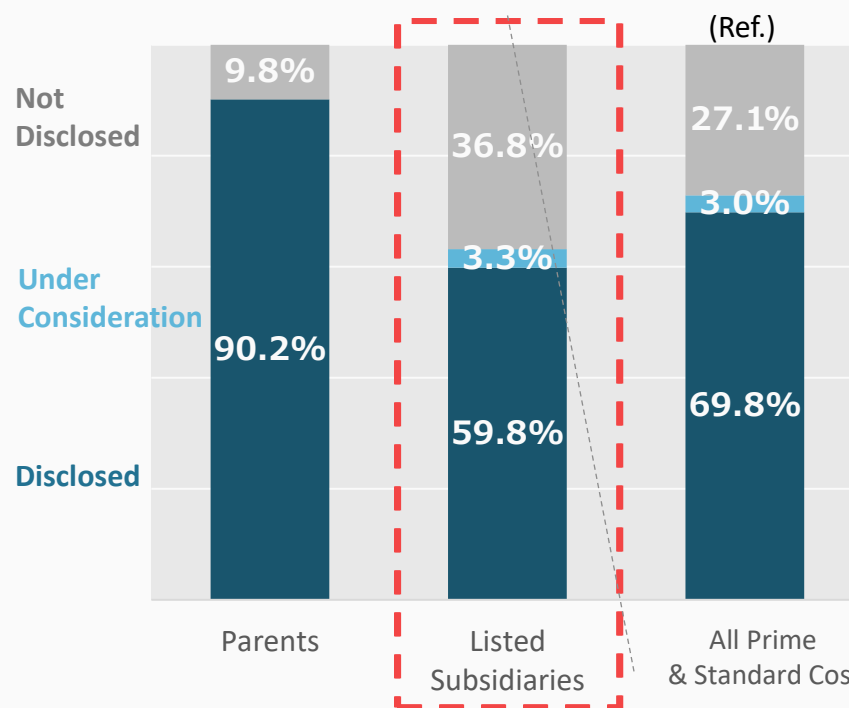
ROE Distribution



(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



The disclosure rate for listed subsidiaries stands at 60%, which is lower than the overall figure.

(As of Aug. 31, 2025)

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

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- 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%)

(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 a parent company. 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.)

(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."

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③ Other Discussion Points (e.g., Privatization)

- TSE has received comments from domestic and overseas institutional investors who are calling for the enhancement of disclosures on such matters as group management as well as for further measures under the listing rules, particularly with regard to the following points.
 - **Encourage listed subsidiaries to implement management that is conscious of minority shareholders**
 - **Ensure the effectiveness and independence of independent directors**, who oversee management and play a central role in protecting minority shareholders
 - **Ensure greater fairness in the privatization of companies (e.g., when a parent company makes a subsidiary wholly-owned)**



- While in previous meetings, TSE has received various opinions from you regarding revisions to the listing rules, could you once again consider the following discussion points in detail while taking the above circumstances into account?
 - 1. Analysis and disclosure of such data as the percentage of minority shareholders that voted for and against resolutions for directors' appointments**
 - 2. Revision of independence criteria (i.e., independence from large shareholders)**
 - 3. Other discussion points (e.g., ensuring fairness in the privatization of companies)**

Issues

Past Initiatives

Future Measures

Group Management

Enhancement of Information Disclosure on Protection of Minority Shareholders and Group Management (Dec. 2023)

- Requested companies to reconsider and disclose their policies regarding group management and the protection of minority shareholders while taking the investor's perspective into account

Continue to **encourage consideration of the best approach to parent-subsidary listings in terms of the parent company's group management and other factors** (case studies to be published by the end of the year)

Management That Is Conscious of Minority Shareholders

Publication of "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings" (Feb. 2025)

- Introduced the investor's perspective and examples of specific cases of misalignment with it

Measures Under the Listing Rules

1. Analysis and disclosure of the percentage of minority shareholders that voted for and against resolutions for directors' appointments

The Functioning of Independent Directors

Revision of the Corporate Governance Code (Jun. 2021)

- Newly established a principle regarding the appointment of one-third or more (in the case of Prime-listed companies, a majority of) independent directors or the establishment of a special committee

Clarification of the Roles Expected of Independent Directors (Dec. 2023)

2. Revision of independence criteria

Ensuring Fairness in the Privatization of Companies

Revision of the Code of Corporate Conduct (Jul. 2025)

- Revised the Code of Corporate Conduct (procedural regulations) regarding such matters as a controlling shareholder's conversion of a subsidiary into a wholly-owned subsidiary

3. Other discussion points (e.g., post-revision follow-up)

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② Revision of Independence Criteria

③ Other Discussion Points (e.g., Privatization)

- A certain percentage of resolutions for the appointment of an inside director, such as top management, at listed subsidiaries received a low approval rate from shareholders other than the parent company.

* Please note that Supplementary Principle 1.1.1 of the Corporate Governance Code states that when a considerable number of votes have been cast against a proposal by the company, the board should analyze the reasons why and consider the need for shareholder dialogue and other measures.

Distribution of Approval Rates at Listed Subsidiaries

Approval Rate of Shareholders Other Than the Parent Company (Estimated)	Resolutions for an Inside Director's Appointment		Subset That Are Resolutions for a Representative Director's Appointment	
	# of Resolutions	Percentage	# of Resolutions	Percentage
<30%	5	0.5%	2	0.7%
>=30% But <50%	17	1.7%	11	4.0%
>=50% But <70%	52	5.3%	41	15.1%
>=70% But <80%	44	4.4%	32	11.8%
>=80% But <90%	185	18.7%	58	21.3%
>=90%	686	69.4%	128	47.1%
Total	989	100.0%	272	100.0%

(Ref.) Cos. w/o a Controlling Shareholder

Resolutions for an Inside Director's Appointment	
# of Resolutions	Percentage
3	0.0%
5	0.0%
70	0.6%
286	2.5%
1044	9.0%
10255	87.9%
11663	100.0%

Approval Rate Under 50%

Resolutions for an Inside Director's Appointment: **Approx. 2%**

Resolutions for a Representative Director's Appointment: **Approx. 5%**

Approval Rate Under 80%

Resolutions for an Inside Director's Appointment: **Approx. 12%**

Resolutions for a Representative Director's Appointment: **Approx. 32%**

* Under the UK Corporate Governance Code, an analysis of opposing votes is required when the approval rate is under 80%.

Main Reasons for Opposition

- Board Composition (e.g., low percentage of independent directors)
- Performance Issues (e.g., low return on capital)
- Other (e.g., insufficient IR activities)

(Source) Created by TSE from data by ICJ, Inc. (Excludes companies whose data could not be acquired from ICJ.)

(Note) Data on resolutions for directors' appointments that companies proposed at their shareholders' meetings from Jul. 2024 to Jun. 2025.

- The listed subsidiaries are TSE-listed companies that have disclosed in their CG reports (as of Jul. 14, 2025) that they have a parent company. The approval rates of shareholders other than the parent company were estimated from the number of votes cast for and against each resolution that were disclosed in each company's Extraordinary Report, assuming that the parent company cast its votes for each resolution.
- The companies without a controlling shareholder are TSE-listed companies that disclosed in their CG reports (as of Jul. 14, 2025) that they did not have a parent company or a controlling shareholder. The approval rates are those that each company has disclosed in its Extraordinary Report.

- There were also some **resolutions for an outside director's appointment that received a low approval rate due to concerns over the candidate's independence and other reasons.**

Distribution of Approval Rates for Resolutions for Outside Directors' Appointments

Approval Rate of Shareholders Other Than the Parent Company (Estimated)	Resolutions for an Outside Director's Appointment		Subset That Are Resolutions for an Independent Director's Appointment	
	# of Resolutions	Percentage	# of Resolutions	Percentage
<30%	3	0.5%	2	0.3%
>=30% But < 50%	7	1.1%	5	0.9%
>=50% But <70%	21	3.4%	20	3.5%
>=70% But <80%	15	2.5%	15	2.6%
>=80% But <90%	95	15.6%	88	15.3%
>=90%	469	76.9%	447	77.5%
Total	610	100.0%	577	100.0%

(Ref.) Cos. w/o a Controlling Shareholder

Resolutions for an Outside Director's Appointment	
# of Resolutions	Percentage
40	0.5%
10	0.1%
43	0.5%
197	2.4%
668	8.3%
7101	88.1%
8059	100.0%

Approval Rate Under 50%

Resolutions for an Outside Director's Appointment: **Approx. 2%**

Resolutions for an Independent Director's Appointment: **Approx. 1%**

Approval Rate Under 80%

Resolutions for an Outside Director's Appointment: **Approx. 7%**

Resolutions for an Independent Director's Appointment: **Approx. 7%**

* Under the UK Corporate Governance Code, an analysis of opposing votes is required when the approval rate is under 80%.

Main Reasons for Opposition

- Concerns About Independence (e.g., violations of the company's independence criteria)
- Concerns About Effectiveness (e.g., attendance status, issues w/ no. of concurrent directorships)
- Other (e.g., performance issues)

(Source) Created by TSE from data by ICJ, Inc. (Excludes companies whose data could not be acquired from ICJ.)

(Note) Data on resolutions for directors' appointments that companies proposed at their shareholders' meetings from Jul. 2024 to Jun. 2025.

- The listed subsidiaries are TSE-listed companies that have disclosed in their CG reports (as of Jul. 14, 2025) that they have a parent company. The approval rates of shareholders other than the parent company were estimated from the number of votes cast for and against each resolution that were disclosed in each company's Extraordinary Report, assuming that the parent company cast its votes for each resolution.
- The companies without a controlling shareholder are TSE-listed companies that disclosed in their CG reports (as of Jul. 14, 2025) that they did not have a parent company or a controlling shareholder. The approval rates are those that each company has disclosed in its Extraordinary Report.

- At listed subsidiaries, the parent company, which holds a majority of the voting rights, has the power to appoint and dismiss directors, including management.
- Meanwhile, because such companies are listed companies, their executives must also strive to manage with an awareness of the company's minority shareholders.
- Furthermore, it is crucial to ensure the effectiveness and independence of independent directors, who oversee management and play a central role in protecting minority shareholders.

- In terms of encouraging listed subsidiary executives to be more aware of the subsidiary's minority shareholders and enhancing the independence and effectiveness of independent directors, could TSE consider **requiring listed subsidiaries to analyze and disclose the percentage of minority shareholders that voted for and against resolutions for directors' appointments, their reasons for opposition, and the necessity of additional measures?**

Anticipated Disclosure Content

- ✓ Definition of Minority Shareholders (presumably excluding the controlling shareholder and related companies* (and their executives) from the definition of minority shareholders)
 - * Meaning "associated company" as defined in Article 8, Paragraph 8 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (e.g., parent company, subsidiary company, affiliated company, other associated company).
- ✓ The percentage of minority shareholders that voted for and against each resolution for a director's appointment
- ✓ When a considerable number of votes have been cast against a proposal by the company, the reasons behind the opposing votes and why many shareholders opposed
- ✓ The necessity for dialogue with shareholders and other additional measures and the implementation status of such measures.*
- * The purpose is to get companies to use the reasons for opposition as a catalyst for dialogue with shareholders regarding such matters as group management, minority shareholder protection, the appointment process for candidates for directorships (e.g., policies on the appointment of management, measures to ensure the independence and effectiveness of independent directors).

Items for Discussion (1) (continued)

- What do you think about **making companies with a large shareholder other than a parent company subject to the same regulations** that listed subsidiaries are subject to?
 - What do you think the **specific definition** of such companies should be? (e.g., could the definition of “company with a large shareholder” be “a company with a shareholder that holds 30% or more of the company’s shares”? This is because 30% or more, considering the average voting rate, is a level of voting rights that could significantly influence ordinary resolutions at shareholders’ meetings?)

% of Shares Held	50%~	40%~	30%~	25%~	20%~	10%~	5%~	~5%
Other Regulations /Ways of Thinking	Parent Company <ul style="list-style-type: none"> Either a company that has a stock company as its subsidiary or any other entity prescribed by Ministry of Justice Order as a corporation that controls said stock company's operations (Article 2, Item 4 of the Companies Act) A company, etc. that has control over the body that makes decisions on the financial and operational or business policies of another company, etc. (Article 8, Paragraph 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements) <p>* Also includes any entity that holds between 40% and 50% of the company's shares and falls under a parent company according to the controlling interest criteria</p>	Effectively Holds a Majority of the Voting Rights (Assuming an exercise rate of 80%)	The 30% Rule for Restrictions on Tender Offers (Article 27-2 of the Financial Instruments and Exchange Act) * Reduced from one-third to 30% (see p18)	Restrictions on the Voting Rights of Cross-Held Shares A shareholder prescribed by Ministry of Justice Order as an entity that is related to a stock company in a way that makes it possible for the stock company to substantially control the entity's operations, due to the stock company's holding one-fourth or more of all shareholders' voting rights in the entity or to other reasons (Article 308 of the Companies Act)	Other Associated Companies (Affiliated Companies) Other companies, etc. that are not subsidiary companies but whose decisions on their financial and operational or business policies could be significantly influenced by a company, etc. or its subsidiary company, due to such company's relationship with said other companies, etc. that are not subsidiary companies in terms of investment, personnel, funds, technology, transactions, etc. (Article 8, Paragraph 5 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements)	Major Shareholder A shareholder that holds voting rights, either in the shareholder's own name or in another person's name, that are equivalent to ten percent or more of the voting rights of all shareholders, etc. (Article 163, Paragraph 1 of the Financial Instruments and Exchange Act)	Large-Volume Holder A holder of share certificates, etc. who holds over five percent of said share certificates, etc. (Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act)	

- * Please note that under the UK Corporate Governance Code, when the approval rate for a resolution is under 80%, a company is required to publish what actions it will take in order to understand the reasons behind the opposing votes and an update on the views it received from shareholders and on the actions it has taken, regardless of whether the company has a parent company or large shareholder.

Ref.: Percentage of Voting Rights Exercised at TSE-Listed Companies

- The **median** percentage of voting rights exercised at TSE-listed companies is **approximately 60%**.
- The number of companies **with 70% to 80% of voting rights exercised** and those with **80% to 90% of voting rights exercised** are **approximately the same** as well as the highest.

Status and Distribution of % of Voting Rights Exercised

FY of GSM	FY 2022			FY 2021			FY 2020			FY 2019			FY 2018		
	N	Avg	Mdn	N	Avg	Mdn	N	Avg	Mdn	N	Avg	Mdn	N	Avg	Mdn
TSE-Listed Cos.	3,163	57.1%	61.3%	2,998	60.0%	65.2%	2,818	59.6%	65.1%	2,719	56.3%	60.4%	2,577	55.5%	59.2%

% Exercised	FY2022 GSM		FY2021 GSM		FY2020 GSM		FY2019 GSM		FY2018 GSM	
	# of Cos.	Cum. %	# of Cos.	Cum. %	# of Cos.	Cum. %	# of Cos.	Cum. %	# of Cos.	Cum. %
10%>	41	1.3%	43	1.4%	45	1.6%	58	2.1%	54	2.1%
~20%	165	6.5%	174	7.2%	154	7.1%	184	8.9%	166	8.5%
~30%	341	17.3%	229	14.9%	216	14.7%	249	18.1%	261	18.7%
~40%	374	29.1%	248	23.1%	245	23.4%	287	28.6%	271	29.2%
~50%	352	40.2%	281	32.5%	280	33.4%	280	38.9%	279	40.0%
~60%	266	48.7%	310	42.9%	277	43.2%	290	49.6%	287	51.1%
~70%	403	61.4%	404	56.3%	402	57.5%	386	63.8%	358	65.0%
~80%	557	79.0%	572	75.4%	541	76.7%	446	80.2%	431	81.8%
~90%	545	96.2%	599	95.4%	550	96.2%	448	96.7%	405	97.5%
≥90%	119	100%	138	100%	108	100%	91	100%	65	100%

(Source) Created by the FSA based on data from Trust Companies Association of Japan. The denominator is the number of TSE-listed companies (as of Apr. 4, 2022) that did not have a controlling shareholder (as of May 31, 2023) and that entrusted a transfer agent with the tabulation of the voting rights exercised at their general shareholders' meetings for FY2022 (i.e., the ordinary shareholders' meeting held sometime between Apr. 2022 and Mar. 2023). However, the portion of voting rights exercised on the day of each company's general shareholders' meeting was not included. For more detailed information, please refer to pages 8-10 of the reference materials.

Source: FSA. Excerpt from Document 1 of the 2nd Meeting of the FSC's Working Group on the Tender Offer Rules and Large Shareholding Reporting Rules (https://www.fsa.go.jp/singi/singi_kinyu/tob_wg/shiryu/20230731/01.pdf). Translated at the Tokyo Stock Exchange.

- Through the revision of the tender offer rules, the threshold at which a tender offer is required even for purchases of shares from an extremely small number of parties **has been lowered from one-third to 30% of the voting rights.**

(Ref.) Report from the Financial System Council's Working Group on the Tender Offer Rules and Large Shareholding Reporting Rules

4. The one-third rule threshold

Under the current tender offer rules, a tender offer is required even for a purchase of shares from an extremely small number of parties if the percentage of the purchaser's voting rights exceeds one-third after the purchase (also known as the "one-third rule"). This is based on the fact that one-third is the basic percentage of voting rights required to block a special resolution at a shareholders' meeting.

However, an overview of the tender offer rules in other countries shows that, in many cases, the threshold at which a tender offer is required is set at 30% of the voting rights. Furthermore, considering the percentage of voting rights exercised⁵ at listed companies in Japan, it is surmised that holding at least 30% of the voting rights would enable one to block a special resolution at the shareholders' meetings of many of such companies and could also have a significant effect on ordinary resolutions at shareholders' meetings.

Given that the purpose of the tender offer rules is to ensure the transparency and fairness of securities transactions that affect the control over a company, we believe it is appropriate to lower the threshold of the one-third rule to 30% of the voting rights in light of the levels observed in other countries and the percentage of voting rights exercised, both of which have been mentioned above.⁶

⁵ According to the materials prepared by the Financial Services Agency based on the data compiled by the Trust Companies Association of Japan (see page 17 of the second Secretariat Briefing Pack of this Working Group), the percentage of voting rights exercised (excluding the voting rights exercised on the day of the meeting) was less than 90% for 95% to 97% of the TSE-listed companies that had no controlling shareholder and less than 60% for nearly half of those companies.

⁶ Please note that along with lowering the one-third rule threshold to 30%, one could also consider lowering the threshold at which the purchaser is obligated to purchase all of the tendered shares (i.e., two-thirds) in accordance with the percentage of voting rights exercised. However, the reason for setting the threshold for the obligation to purchase all tendered shares at two-thirds was based on such factors as the fact that two-thirds is the percentage of voting rights required to force minority shareholders to exit. Since many minority shareholders would presumably cast their votes in opposition to an attempt to force them to exit by a party with a shareholding ratio of less than two-thirds, we believe that the percentage of voting rights exercised in normal times are not always a reliable benchmark.

Disclosure of the Percentage of Minority Shareholders That Voted For and Against an Independent Director's Appointment

Necessity/Effectiveness

- Since companies disclose the results of resolutions in their extraordinary reports, if you know the shareholding ratio of the controlling shareholder, you can pretty much estimate the percentage of minority shareholders that voted for and against. However, **there is room for improving the information disclosures to make it clearer how many minority shareholders support a particular candidate for independent director.**
- **We can expect that this would encourage independent directors to act with an awareness of their expected role as well as push institutional and other investors to change their mindset and vote against independent directors who are not fulfilling their expected role.**

Practicality

- **It may be misleading to exclude the results of voting rights exercised on the day of the shareholders' meeting from the total, but the burden on companies must be considered if such results were to be included in the disclosure.**

Other Information to Be Disclosed Regarding an Independent Director's Appointment

- **If the percentage of minority shareholders that voted for the candidate was low, the board should analyze and consider how to address this, and the nomination committee should advise the board on these actions. In addition, such details should be disclosed so that it is clear whether the board and the nomination committee are functioning.**
- **If the parent company's nomination committee discusses the appointment of the listed subsidiary's independent directors, the details of such discussions should also be disclosed.**
- **When an independent director is up for reappointment, it is important to disclose information that will help minority shareholders evaluate how the director has fulfilled their role of protecting minority shareholders.**

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Current Independence Criteria

- Under TSE's independence criteria, an individual who currently serves as an executive officer, non-executive director, or audit & supervisory board member (hereinafter collectively referred to as an "executive officer, etc.") at a parent company, subsidiary, or affiliate or has served in such a capacity within the past ten years is deemed to lack independence.
- On the other hand, if **the individual is an executive officer, etc. of a large shareholder other than the parent company (e.g., other associated company, major shareholder) or if the company in question is a large shareholder of another company and the individual is an executive officer, etc. of that company**, such individuals are not deemed to lack independence.

* However, if the individual qualifies as an executive officer of a major shareholder, the company is required to disclose the applicable circumstances (e.g., the major shareholder's percentage of voting rights, the facts affecting management, and the individual's position at the major shareholder).

	Executive Officer, etc. at a Listed Company or One of Its Subsidiaries	Executive Officer, etc. at the Parent Company or One of Its Affiliates	Executive Officer at a Key Business Partner or an Entity (e.g., Consulting Firm) From Which the Company Receives a Substantial Amount of Money	Executive Officer at a Major Shareholder	Executive Officer at a Non-Key Business Partner	Executive Officer at a Company With Which Cross-Appointments or Contributions Are Made	Other
Current	×	×					
Past (Recent)	×	Not Independent			Disclosure Required		
Past (Within the Past 10 Years)	×						
Past (More Than 10 Years Ago)						Disclosure Not Required	

×: The Companies Act deems such individuals to lack outsideness.

Red boxes: TSE's independence criteria deems such individuals to lack independence.

Yellow boxes: The listed company must disclose an overview of its relationship with the company in its CG report and other documents. (Such individuals are not deemed to lack independence.)

- Currently, 71 companies have disclosed that they have appointed a major shareholder's executive officer as an independent director.
 - Of those, 53 companies have disclosed that they have business or personnel relationships with the major shareholder.

Status of Designation of a Major Shareholder's Executive Officer as an Independent Director

	# of Cos.	Prime	Standard	Growth
Currently/Recently	34 cos. (40 ppl.)	7 cos. (7 ppl.)	23 cos. (29 ppl.)	4 cos. (4 ppl.)
In the Past	39 cos. (41 ppl.)	16 cos. (18 ppl.)	20 cos. (20 ppl.)	3 cos. (3 ppl.)

(Ref.) Companies That Have Appointed Independent Directors (limited to companies with a major shareholder)	3,238 cos. (10,564 ppl.)	1,423 cos. (6,106 ppl.)	1,277 cos. (3,241 ppl.)	538 cos. (1,217 ppl.)
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- * If TSE were to deem that an executive officer of a major shareholder lacks independence, only one company would be in violation of its obligation to appoint independent directors under TSE's Code of Corporate Conduct.

(As of Sep. 30, 2025)

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

(Note 1) Excludes cases where non-major shareholders (e.g., large shareholders, main banks) were listed as major shareholders

(Note 2) The figures for disclosures regarding business relationships (including business alliances) or personnel relationships (excluding appointments as an independent director) were compiled based on each company's CG report or its disclosures concerning controlling shareholders, etc.

The Major Shareholder's Percentage of Voting Rights

	>=10% But <20%	>=20% But <30%	>=30%
Currently/ Recently	20 cos. (22 ppl.)	10 cos. (11 ppl.)	4 cos. (7 ppl.)
In the Past	18 cos. (19 ppl.)	14 cos. (14 ppl.)	8 cos. (8 ppl.)

Relationship with the Major Shareholder

	Disclosed a Business Relationship	Disclosed a Personnel Relationship *Voluntary Disclosure
Currently/ Recently	24 cos. (26 ppl.)	5 cos. (6 ppl.)
In the Past	30 cos. (31 ppl.)	12 cos. (12 ppl.)

Items for Discussion (2)

- Even large shareholders other than the parent company possess a certain degree of influence over the listed company through such means as the exercise of voting rights.
 - * Large shareholders and minority shareholders share common interests in terms of enjoying the benefits brought about by enhancements in medium- to long-term corporate value (i.e., the growth of shareholder's collective benefits). However, potential conflicts of interest may arise in certain situations.



- **Considering that the purpose of the independent director system is to require the appointment of outside directors and others who are unlikely to have conflicts of interest with general shareholders, what do you think about having the independence criteria require that independent directors be independent from large shareholders?**
 - How do you think TSE should **define what a large shareholder is** in such a case?
 - How do you think TSE should **handle individuals who currently qualify as an executive officer, etc. of a large shareholder as well as those who recently qualified and those who qualified in the past?**
- **What do you think about also having the independence criteria require that independent directors be independent from companies of which the listed company is a large shareholder?**

% of Shares Held	50%~	40%~	30%~	25%~	20%~	10%~	5%~	~5%
Other Regulations / Ways of Thinking	Parent Company <ul style="list-style-type: none"> Either a company that has a stock company as its subsidiary or any other entity prescribed by Ministry of Justice Order as a corporation that controls said stock company's operations (Article 2, Item 4 of the Companies Act) A company, etc. that has control over the body that makes decisions on the financial and operational or business policies of another company, etc. (Article 8, Paragraph 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements) <p>* Also includes any entity that holds between 40% and 50% of the company's shares and falls under a parent company according to the controlling interest criteria</p>	Effectively Holds a Majority of the Voting Rights (Assuming an exercise rate of 80%)	The 30% Rule for Restrictions on Tender Offers (Article 27-2 of the Financial Instruments and Exchange Act) * Reduced from one-third to 30% (see p18)	Restrictions on the Voting Rights of Cross-Held Shares A shareholder prescribed by Ministry of Justice Order as an entity that is related to a stock company in a way that makes it possible for the stock company to substantially control the entity's operations, due to the stock company's holding one-fourth or more of all shareholders' voting rights in the entity or to other reasons (Article 308 of the Companies Act)	Other Associated Companies (Affiliated Companies) Other companies, etc. that are not subsidiary companies but whose decisions on their financial and operational or business policies could be significantly influenced by a company, etc. or its subsidiary company, due to such company's relationship with said other companies, etc. that are not subsidiary companies in terms of investment, personnel, funds, technology, transactions, etc. (Article 8, Paragraph 5 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements)	Major Shareholder A shareholder that holds voting rights, either in the shareholder's own name or in another person's name, that are equivalent to ten percent or more of the voting rights of all shareholders, etc. (Article 163, Paragraph 1 of the Financial Instruments and Exchange Act)	Large-Volume Holder A holder of share certificates, etc. who holds over five percent of said share certificates, etc. (Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act)	

- Regardless of the percentage of shares that the other associated company holds in **the listed affiliate**, a **certain percentage of the agreements contain provisions that are important for the investment decisions of the listed affiliate's minority shareholders** (e.g., nomination of director candidates and senior management, prior approval or consultation).

15% <	10% - 15%	5% - 10%	0% - 5%
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Existence of provisions by category

	All Listed Affiliates		< 20%		20% - 30%		30%- 40%		40% - 50%	
(1) Nomination of director candidates and senior management, etc.	90	15.5%	17	17.9%	40	16.7%	27	13.3%	6	14.3%
(Of which, obligations, prohibitions, and approvals)	(83)	(14.3%)	(16)	(16.8%)	(38)	(15.8%)	(23)	(11.3%)	(6)	(14.3%)
(2) Maintenance of shareholding ratio and anti-dilution	59	10.2%	8	8.4%	59	11.3%	18	8.9%	6	14.3%
(Of which, obligations, prohibitions, and approvals)	(53)	(9.1%)	(7)	(7.4%)	(24)	(10.0%)	(17)	(8.4%)	(5)	(11.9%)
(3) Sale/further purchase of shares held by shareholders and other matters on handling of shares	42	7.2%	8	8.4%	21	8.8%	9	4.4%	4	9.5%
(Of which, obligations, prohibitions, and approvals)	(34)	(5.9%)	(4)	(4.2%)	(18)	(7.5%)	(8)	(3.9%)	(4)	(9.5%)
(4) Exercise of voting rights of shareholders	5	0.9%	1	1.1%	1	0.4%	1	0.5%	2	4.8%
(Of which, obligations, prohibitions, and approvals)	(5)	(0.9%)	(1)	(1.1%)	(1)	(0.4%)	(1)	(0.5%)	(2)	(4.8%)
(5) Prior approval or consultation	58	10.0%	7	7.4%	29	12.1%	17	8.4%	5	11.9%
(Of which, obligations, prohibitions, and approvals)	(26)	(4.5%)	(2)	(2.1%)	(11)	(4.6%)	(11)	(5.4%)	(2)	(4.5%)
(6) Business coordination and avoidance of business competition	14	2.4%	2	2.1%	5	2.1%	6	3.0%	1	2.4%
(Of which, obligations, prohibitions, and approvals)	(8)	(1.4%)	(2)	(2.1%)	(2)	(0.8%)	(3)	(1.5%)	(1)	(2.4%)
(7) Continued listing	17	2.9%	3	3.2%	5	2.1%	7	3.4%	2	4.8%
(8) Appointment and use of independent directors	7	1.2%	2	2.1%	2	0.8%	2	1.0%	1	2.4%
(9) Respect for independence and autonomy, etc.	33	5.7%	5	5.3%	11	4.6%	11	5.4%	6	14.3%
Number of companies	580		95		240		203		42	

Notes: 1. "Number of companies" on the bottom row represents the number of responding companies by each shareholding percentage (including companies that responded "No agreement"). Percentages in the table are the proportions out of this number.

2. Shareholding percentages of the largest shareholder are based on each company's Corporate Governance Report. As a rule, the percentages are those of direct holdings and do not include indirect holdings.

3. "Obligations, prohibitions, and approvals" includes only agreements that stipulate obligations or prohibitions and items for which approvals must be obtained, and excludes agreements that only stipulate obligations to consult or make efforts and items only requiring consultation.

Ref.: Institutional Investors' Criteria for the Exercise of Voting Rights

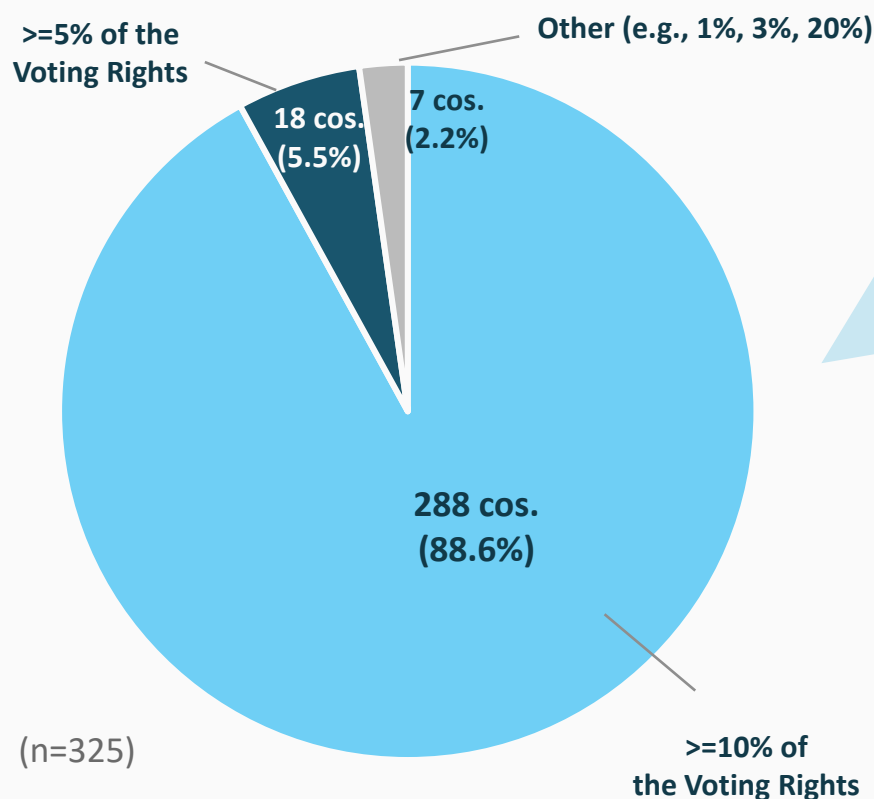
- Institutional investors that have declared their acceptance of the Stewardship Code have criteria for the exercise of voting rights as shown in the table below.
 - Many of them have set 5% or 10% of voting rights as the threshold for shareholders who can exert influence over a listed company through the exercise of voting rights (and have a potential conflict of interest).

	Independence Criteria Regarding Relationships with Large Shareholders
Nomura Asset Management	At the time of the individual's initial appointment as an outside director, the individual <u>had not been employed by a company that was a large shareholder of said company within the preceding three years</u> . A "large shareholder" means <u>a shareholder that was listed in the "Top 10 Shareholders" table</u> included in said company's business report for the most recent fiscal year <u>and that had a shareholding ratio of 10% or more</u> .
Mitsubishi UFJ Asset Management	An individual from a <u>large shareholder</u> with a shareholding ratio of <u>10% or more</u> (i.e., an individual who had been employed by the large shareholder <u>within the past 10 years</u>)
Daiwa Asset Management	An officer (excluding non-executive directors and audit & supervisory officers) or employee (including former employees, <u>unless it has been five or more years since the employee's resignation</u>) of a large shareholder (<u>with a shareholding ratio of 5% or more</u>) or its parent, subsidiary, or affiliated companies.
Nikko Asset Management	A large shareholder with a shareholding ratio of <u>over 5%</u> , or an individual who is currently employed by or has been employed <u>within the past five years</u> by an organization that is a large shareholder
Asset Management One	If you plan to file as an independent director/auditor with a financial instruments exchange, you must not have been employed by a large shareholder (<u>with a shareholding ratio of 10% or more</u>) of said company <u>within the past 10 years</u> . Furthermore, if you have been employed by a large shareholder (including its group companies), we will generally oppose your appointment regardless of the individual company's circumstances, such as being in the process of restructuring or scheduled for merger.
Sumitomo Mitsui DS Asset Management	In addition, even if an independent director filing has been made, we may oppose the director's appointment based on a comprehensive assessment if there are doubts about the director's independence, such as the director's period of posting or <u>the director's prior employment by a major shareholder</u> .
Sumitomo Mitsui Trust Asset Management	An individual from a major shareholder (<u>i.e., a shareholder with a shareholder ratio of 10.0% or more</u>) The cooling-off period (i.e., the period for certifying the individual's independence from the major shareholder) for an individual from a major shareholder shall be set at <u>three years after their resignation</u> .
Fidelity Investments	*Not specified
BlackRock Japan	In addition, the officers and employees of a <u>large shareholder</u> The qualifications of a former officer or employee of a large shareholder as a representative of general shareholder interests shall be determined based on the individual's background and the organization from which they belonged.
Alliance Bernstein	*Not specified

(Note) The top 10 companies by total net assets in the "Changes in the Assets of Contractual-Type Public Investment Trusts per Investment Trust Company (Actual Amounts)" (Investment Trusts Association, Japan (JITA), Aug. 2025).

- When listed companies establish their own independence criteria regarding major shareholders and large shareholders, **approximately 90% of such listed companies set the threshold for the percentage of voting rights held at 10% or more.**

Criteria Regarding the Percentage of Voting Rights Held by Major Shareholders and Large Shareholders



(Note) Calculated by TSE based on the number of companies whose CG reports (as of Jul. 12, 2024) included the keywords "voting rights" in their disclosures regarding Principle 4-9.

- Ninety percent** of listed companies have established **criteria stating that shareholders** (or their executive officers if the shareholder is a corporation) **are deemed to lack independence if they hold 10% or more of the voting rights in the listed company.**
 - In some cases, the criteria only apply to **the current or most recent fiscal year**, while in others, major shareholders in **the past three or five fiscal years** are deemed to lack independence.
- In a certain number of cases, the executive officers of a company are deemed to lack independence **if the listed company holds 10% or more of the voting rights in said company.**

- Major overseas exchanges also establish independence criteria, requiring independence from large shareholders for categories that could exert influence over listed companies through the exercise of voting rights and other means.

	Independence Criteria Regarding Relationships with Large Shareholders
U.S.A. (NYSE Independence Tests)	- (No stipulation in the rules)
U.K. (UK Corporate Governance Code)	<p><u>Not acting as a representative of a significant shareholder</u></p> <p>* Comply-or-explain approach</p> <p>** There is no clear definition of a significant shareholder, but in practice in the U.K. (i.e., according to the guidelines of investors and voting rights advisory firms), <u>roughly 3% to 10% of the voting rights</u> is considered to be the level at which a shareholder has significant influence.</p>
Hong Kong (HKEX Mainboard Rule)	<p>If a director falls under one of the following cases, the director's independence is highly likely to be questioned.</p> <p>- <u>If a director holds more than 1% of the issued shares (excluding treasury shares)</u> of the listed company</p> <p>* When the listed company intends to appoint an individual holding more than a 1% stake as an independent non-executive director, it must demonstrate the candidate's independence prior to appointment. If the individual <u>holds 5% or more of the issued shares</u> of the listed company, the individual is generally deemed to lack independence.</p>
Singapore (SGX Mainboard Rule)	<p><u>A director who is or was directly related to a substantial shareholder</u> during the current or most recent fiscal year</p> <p>* A substantial shareholder refers to an individual or corporation that directly or indirectly holds <u>5% or more</u> of a company's issued shares.</p>

Expansion of the Independence Criteria (Absence of a Relationship with a Quasi-Controlling Shareholder)

- The current requirements for outside directors under the Companies Act and the independence criteria under TSE's listing rules (which are based on these) require the absence of a relationship with the controlling shareholder, but **not the absence of a relationship with a quasi-controlling shareholder. This is an issue for consideration.**
- Given the current practices in the market, TSE should require **independence from major shareholders.**
- One proposal is to **deem that a shareholder lacks independence if the shareholder holds more than 1% of the company's shares, which enables the shareholder to make proposals, and has an agreement regarding the appointment of the subsidiary's directors.**

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- In the next meeting or thereafter, TSE plans to have you **follow up on the status of the protection of minority shareholders in cases of privatization** (e.g., when a parent company converts its subsidiary into a wholly-owned subsidiary) **following the July 2025 revision of TSE's Code of Corporate Conduct**. Are there any matters to keep in mind when conducting the follow-up?
- Also, are there **any additional points that should be discussed** regarding revisions to the listing rules in terms of protecting minority shareholders?

- 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)

Date	Event
December 2025	<ul style="list-style-type: none"> • Publication of “Case Studies Regarding Such Matters as Parent-Subsidiary Listings” * This publication presents the following cases: cases where parent-subsubsidiary listings were resolved, cases of companies pursuing disclosure and dialogue regarding the significance of parent-subsubsidiary listings in terms of enhancing medium- to long-term corporate value while taking the perspectives of shareholders and investors into account, and cases of companies pursuing initiatives to protect minority shareholders.
January 2026 or later	<ul style="list-style-type: none"> • Discussion of proposed measures under the listing rules (today’s continuation) -> Once finalized, proceed to rule amendment procedures • Follow-up on the status of ensuring fairness in cases of privatization following the revision of TSE’s Code of Corporate Conduct
FY2026	<ul style="list-style-type: none"> • Follow-up on status of disclosures regarding such matters as group management