

# **TSE Explanatory Materials (3)**

## **(Promoting Disclosure on Such Matters as Group Management)**



Tokyo Stock Exchange, Inc.

January 26, 2026

- In December 2023, we requested that companies enhance their disclosure on such matters as group management. As we now enter the third year since the request, from summer this year **we are planning to consider more efficient approaches toward enhancing information disclosure** based on companies' current disclosure status and actual practices
- First, **focus on enhancing information disclosure for companies in parent-subsidiary relationships**
  - ✓ Re-examine which points are especially important regarding group management and minority shareholder protection and clearly specify them as items to be disclosed in corporate governance reports
- Also consider more efficient measures for companies in quasi-controlling relationships (including companies under the equity method)
  - ✓ With less awareness of issues and a lack of information disclosure compared to companies in parent-subsidiary relationships, we consider a phased approach to be more effective. For example, could we first encourage disclosures that enable investors to clearly see the relationship between the company and its quasi-controlling company?
- Additionally, continue following up on companies' disclosure status of such matters as group management, as well as providing the investor's perspective and case studies relating to parent-subsidiary listings

## Progress in disclosures related to group management and minority shareholder protection

- It is good that some companies are starting to consider enhancing disclosure on such matters as group management, but overall **there have been no significant advancements in information disclosed**. It has become **clear which items are lacking disclosure**
- **Should disclosure for certain items be made mandatory?** For example, making it mandatory to disclose information on how subsidiaries are positioned within the group's portfolio strategy would necessitate negotiation between the parent and subsidiary **and translate into actual corporate action**
- Matters such as **how the parent company exercises voting rights concerning the appointment of directors at subsidiaries, and the use of nomination committees to ensure the independence of independent directors at subsidiaries** are particularly important from the perspective of protecting minority shareholders. We should consider establishing rules regarding such disclosure
- The Corporate Governance Code requires at least one third (for the Prime Market a majority) of directors to be independent directors or for there to be a special committee, but there is very little information disclosed on specific activities. **It is important for at least the subsidiary to disclose detailed information on special committees, including on whether committee members are permanent members or not.**
- Regarding the issue of where information is disclosed, **it is better for it to be disclosed through the Corporate Governance Report** rather than through voluntary disclosures. In addition, for significant contracts and other important matters, **companies should be encouraged to disclose through their Annual Securities Report**
- From a management perspective, **it is important for there to be a clear distinction between what must be done and what else could be done**, so **clear rules should be established** regarding what must be disclosed and in how much detail

## Disclosure of companies under equity method relationships

- **Are companies under equity method relationships not aware of or ignoring the items recommended for disclosure?** There is still little awareness of the need to provide explanations to investors and **if disclosure is left to them, this will not align with the perspective of the shareholders and investors who use the disclosure information**
- **For companies under equity method relationships, is there not the need for a more categorized approach based on certain equity ratios or thresholds?**

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

## Listed Parent Company

Group Management		Minority Shareholder Protection
<b>Approach to and Policy on Group Management</b>	<ul style="list-style-type: none"> <li>Basic approach to business portfolio strategy (e.g., ownership of listed subsidiaries, differentiation from other forms of ownership, business portfolio review/revision)</li> <li>Basic approach to/policy on the treatment of listed subsidiaries in the group management system (e.g., involvement in the decision-making process, cash management system)</li> </ul>	<b>Measures to Ensure the Effectiveness of the Listed Subsidiary's Governance System</b> <ul style="list-style-type: none"> <li>Approach to/policy on the exercise of voting rights in the appointment and dismissal of the listed subsidiary's executives</li> <li>Approach to/policy on involvement in the nomination process for the listed subsidiary's executives</li> </ul>
<b>Reasons for Having the Subsidiary Remain Listed</b>	<ul style="list-style-type: none"> <li>Rationale for holding the company as a subsidiary and for keeping it listed (e.g., advantages/disadvantages, rationale compared to other forms of ownership)</li> </ul>	

## Listed Subsidiary

Group Management		Minority Shareholder Protection
<b>Parent Company's Approach to and Policy on Group Management</b>	<ul style="list-style-type: none"> <li>Positioning of the company in its parent company's business portfolio strategy</li> <li>Current status of and future outlook on the differentiation of business areas within the parent company's group</li> <li>If carrying out cash management with the parent company (e.g., participation in the parent company's cash management system), the reasons for this</li> </ul>	<b>Approach and Measures to Ensure the Necessary Independence from the Parent Company in Order to Protect Minority Shareholders</b> <ul style="list-style-type: none"> <li>Whether/how the parent company is involved in the decision-making process</li> <li>Outline of the special committee established to ensure independence from the parent company (e.g., permanent/non-permanent, composition, agenda items, authority/roles)</li> <li>Role and use of the nomination committee to ensure that independent officers are independent from the parent company</li> <li>Parent company's approach to/policy on the exercise of voting rights in the appointment and dismissal of independent officers</li> </ul>

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

- To serve as a reference for listed companies' deliberations, TSE has published the Compilation of Case Studies on Such Matters as Parent-Subsidiary Listings. This document is a compilation of **companies' disclosures that have received a certain level of positive feedback from investors, from the perspective of group management and minority shareholder protection.**

**Compilation of Case Studies on Such Matters as Parent-Subsidiary Listings**

Listing Department  
Tokyo Stock Exchange, Inc.  
December 26, 2025

**Note:** The case studies in this document are included solely for informational purposes to serve as a reference for listed companies when considering approaches to group management and minority shareholder protection. They are not intended for any other purpose, including the solicitation of investment in specific issues.

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**Roche (SIX Swiss Exchange) / Chugai Pharmaceutical (Prime: 4519) (2)**

**Information disclosed by Chugai Pharmaceutical**

**Significance of the Strategic Alliance**  
Win-Win Partnership through Network-based Management

**Benefits for Roche**

- Consolidating Chugai by acquiring a majority of its share
- Strengthening its presence in Japan (where its competitor, Nippon Roche, was ranked around 40th at the time)
- Gaining exclusive rights to market Chugai products globally (including Japan, South Korea, and Taiwan)
- Maintaining its stock market listing and corporate identity as Chugai Pharmaceutical
- Maintaining its management autonomy
- Gaining exclusive rights to market Roche products in Japan
- Gaining access to the global market through Roche's development and sales network
- Focusing its management resources on R&D

**Benefits for Chugai**

- Maximize presence of Roche products in global markets
- Market Roche's innovative products in Japan
- Specialization in innovative, groundbreaking drug discovery
- Global development and sales acceleration through out-licensing to Roche
- Exclusive rights in Japan for promising new drug candidates
- Statistical profitability from Japanese operations

The stable income base provided through the strategic alliance with the parent company, Roche, enables the subsidiary to concentrate management resources on drug discovery. The subsidiary explains in detail how significant this strategic alliance is and the reasons for prioritizing autonomous and independent management, linking it to its own business model.

**A Business Model of Autonomous and Independent Management, and a Strategic Alliance with Roche**

**Chugai products**

- Maximize presence of Chugai products in global markets
- Market Roche's innovative products in Japan
- Specialization in innovative, groundbreaking drug discovery

**Global development and sales acceleration through out-licensing to Roche**

**Exclusive rights in Japan for promising new drug candidates**

**Statistical profitability from Japanese operations**

Note: The two slides on this page were translated into English by Chugai Pharmaceutical

Source: Pages 5 & 6 of report on roundtable meeting between Chugai Pharmaceutical Co., Ltd. and institutional investors on October 30, 2024 (in Japanese only). <https://www.reuters.com/japan/press-releases/chugai-pharm-report-53.pdf>

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