

Update to the Request Concerning Management That is Conscious of Cost of Capital and Stock Price

Listing Department
Tokyo Stock Exchange

April 28, 2026



Purpose of This Document

- ◆ The request for **“Management That is Conscious of Cost of Capital and Stock Price,”** which has been a major focus since March 2023, is now entering its fourth year. Roughly 90% of Prime Market listed companies and about 50% of Standard Market listed companies have made disclosures, and **there has been significant progress in encouraging awareness of capital cost and profitability, as well as market valuation.**
- ◆ The objective of this initiative is **to promote medium- to long-term enhancement of corporate value and sustainable growth, while also taking into account the perspective of the market.** Going forward, to advance this initiative, it will be important for each company **to deepen its consideration of what kind of growth trajectory it aims to achieve and how it will allocate its management resources toward that end, to present its policies to investors and other stakeholders, and to use dialogue with the market as a driving force to move these initiatives forward.**
- ◆ With this in mind, we are now updating our previous request and **setting out investor expectations and key points of action, with a focus on the “appropriate allocation of management resources.”** We ask that each company refer to these in **considering its future initiatives.**
- * Going forward, we also plan to gather and publish requests and other feedback from companies to investors, through questionnaires and similar means.

Key Points for Actions to Advance Initiatives

(1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented? ⇒ Page 4

(2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision? ⇒ Page 5

(3) Are the assets it holds in an optimal state for value creation? ⇒ Page 6

(4) Are discussions and oversight being carried out at the board level for items (1) through (3)? ⇒ Page 7

- * Naturally, companies differ in their growth strategies, challenges, and the initiatives they need to undertake. Accordingly, the points set out here and the “desired initiatives” described in the following slides are **not intended to demand uniform responses from all companies**. We ask that you consider what actions are necessary to achieve enhanced corporate value while gaining the support and trust of medium- to long-term investors.

Expected Effects

Gain the support and trust of investors with a medium- to long-term perspective

- **As capital profitability improves and investors become convinced of the company’s growth trajectory, their focus will shift from the short term to the medium and long term.**
E.g., Investors’ primary expectations for the company will shift from shareholder returns to the successful execution of growth investments.
- **With a foundation in concrete policies and initiatives, the quality of dialogue with investors will improve.**
E.g., There will be more feedback from investors with a medium- to long-term perspective, such as the identification of fundamental issues and making of proposals aimed at realizing growth.
In response to calls for immediate shareholder returns, it will become possible to engage in constructive communication based on disclosures.

Key Points for Taking Action (1)

(1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented?

Medium- to Long-Term Management Policy

- Strengths/competitive advantages
 - Business and growth strategies
 - Target business portfolio
 - Targets for profitability and capital efficiency
- etc.

Comments from institutional investors with a medium- to long-term perspective

- Even if individual measures such as growth investments and shareholder returns are presented, **it is difficult for investors to evaluate the company when its medium- to long-term business and growth strategies, target business portfolio, and quantitative targets are not thoroughly articulated, making it unclear what the company is aiming to achieve overall.**
- Even when strategies and plans are presented, **if the priorities for allocating management resources to support their realization are unclear, or if top management's thinking, decision-making criteria, and commitment to execution are not sufficiently visible, it is difficult to gain confidence in the realization of growth, which can cause investors to hesitate to make medium- to long-term investments.**

Initiatives expected to be undertaken

- As a foundation for gaining the support and trust of medium- to long-term investors, companies are expected to organize their **medium- to long-term management policies** and **clearly present the “why” and “how” to investors**. Specifically, they are expected to convey, together with their current understanding of issues, points such as:
 - ✓ **Business and growth strategies, including how they intend to utilize their strengths and competitive advantages to create value (and why this is feasible);**
 - ✓ **Priorities regarding which fields or businesses they will focus on for the allocation of management resources and the resulting target business portfolio;**
 - ✓ **Quantitative targets related to profitability and capital efficiency.**
- In doing so, it is also expected that **top management will continuously communicate their thinking and commitment in their own words, thereby conveying to investors a proactive stance toward achieving the strategies and plans.**

Key Points for Taking Action (2)

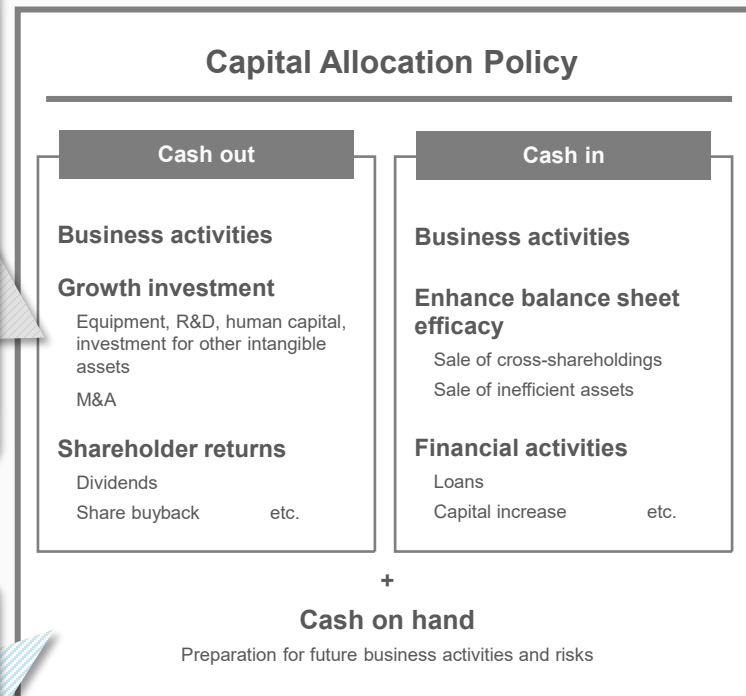
(2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision?

Comments from institutional investors with a medium- to long-term perspective

- **What investors with a medium- to long-term perspective expect** is not the enhancement of near-term shareholder returns, **but rather the enhancement of future earning power through the promotion of proactive and disciplined growth investments** in line with the company's medium- to long-term management policy.
- However, **investors expect growth investments that contribute to enhancing future earning power**. If surplus capital is available, but **growth investments are only tangentially related to the company's medium- to long-term management policy**, it would be preferable to allocate such capital to shareholder returns.
- Even when a company emphasizes **enhanced shareholder returns**, if the **overview and strategy for capital allocation are unclear**, or if **dividends appear to be determined based primarily on a fixed payout ratio that just takes into account the industry average**, such measures may be perceived as one-off responses aimed at temporarily boosting capital efficiency and share prices.

Initiatives expected to be undertaken

- **When considering capital allocation**, taking into account your company's cost of capital, capital profitability, and growth stage, it is important to **establish a clear order of priorities by first examining growth investments aimed at enhancing sources of value creation in the medium to long term**, and then, considering the appropriate level of cash on hand, **flexibly allocating surplus capital to shareholder returns**.
- From the perspective of enhancing the quality of dialogue with investors, companies are expected to **clearly explain to investors their capital allocation policy, including with what mindset and priorities the limited amount of capital will be allocated, taking into account projected future cash flows**.



Reference material/examples of initiatives

[Key Points Considering The Investor's Point of View \(page 17\)](#)

Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources

Key Points for Taking Action (3)

(3) Are the assets it holds in an optimal state for value creation?

Comments from institutional investors with a medium- to long-term perspective

- What matters on the balance sheet, **from the perspective of creating corporate value, is whether the company has the assets it should have and that it does not hold unnecessary assets.**
- There are cases where **companies hold large amounts of cash and deposits, citing growth investment or risk preparedness, but have not conducted concrete reviews**, and cases where **non-operating assets, such as cross-shareholdings, have not been examined from the standpoint of cost of capital and returns**; such situations cannot be properly evaluated.
- Although companies tend to focus their attention on the level of cash and deposits, **reducing the required working capital is also important for improving asset efficiency.**
- **Intangible assets that do not appear on the balance sheet, such as human capital and intellectual property, are becoming the source of value creation and companies' strengths, and their importance in corporate valuation is increasing.**

Initiatives expected to be undertaken

- To ensure the realization of their visions, companies are expected to **continuously review whether the assets they hold are in an optimal state for future value creation and make improvements.**
- Specifically, for **assets on the balance sheet**, while taking into account perspectives such as growth investment, business operations, and preparedness for risk, companies are expected to examine **whether they are holding surplus cash and deposits** and, taking into consideration cost of capital, **whether assets other than cash and deposits are also in an optimal state for maximizing medium- to long-term value creation.** After identifying any issues, they are expected to **advance initiatives for improvement.**
- At the same time, with respect to **intangible assets that do not appear on the balance sheet, such as human capital and intellectual property**, companies are expected to examine **whether they are building, maintaining, and strengthening the assets necessary to realize their vision, and to actively promote the necessary investments.**
- In addition, it is expected that companies will **clearly communicate to investors their understanding of these issues and the policies for addressing and improving them.**

Balance Sheet	
Assets	Liabilities
Current assets Cash and deposits Securities Notes receivable Accounts receivable Inventory etc.	Current liabilities Accounts payable Short-term loans payable etc.
Non-current assets Buildings Land Machinery and equipment Software Investment securities etc.	Non-current liabilities Long-term loans Bonds etc.
	Net assets
	Share capital Capital surplus Retained earnings Treasury shares etc.

+

Other intangible assets:-
Human capital, intellectual property, etc.

Reference material/examples of initiatives

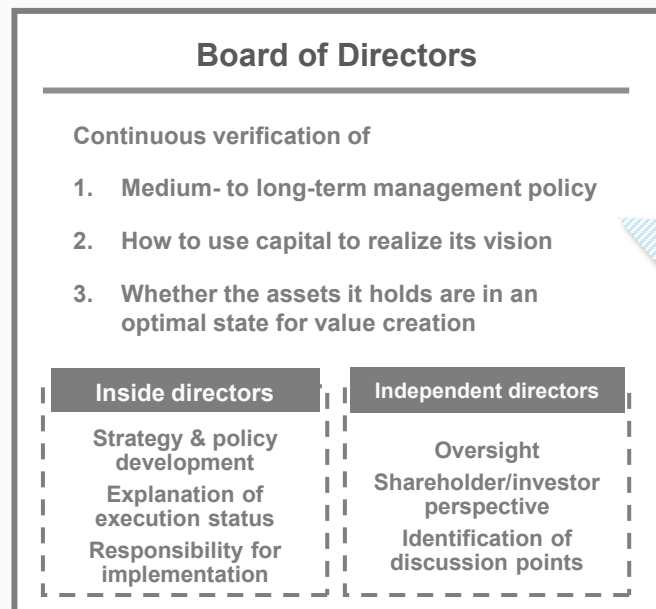
[Key Points Considering The Investor's Point of View](#) (pages 13, 17)

Inspection of balance sheets to ensure their efficacy

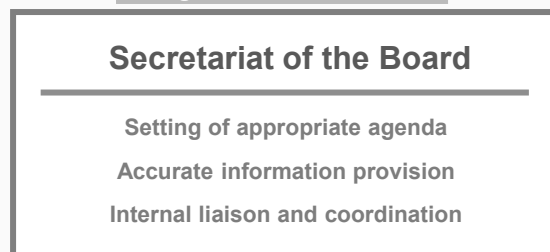
Implementing fundamental initiatives with an awareness of the appropriate allocation of management resources

Key Points for Taking Action (4)

(4) Are discussions and oversight being carried out at the board level for items (1) through (3)?



Support enhancement of effectiveness and further invigoration of discussions



Initiatives expected to be undertaken

- From a governance perspective aimed at ensuring the effectiveness of initiatives, it is expected that **the board of directors will take the lead in conducting integrated discussions** on the policies and decisions related to points (1) through (3) and will **continuously verify their appropriateness from the perspective of enhancing medium- to long-term corporate value**.
- To make such discussions and oversight by the board of directors effective**, it is expected not only that inside directors will play a leading role in examining policies and engaging in dialogue with investors, but also that **independent directors will recognize their role in representing the perspectives of shareholders and investors**. In doing so, independent directors are expected to **proactively participate in substantive discussions** by engaging directly in dialogue with investors when necessary and **reflecting the perspectives and issues identified through such dialogue in board of directors' deliberations by putting them on the agenda**.
- Furthermore, **strengthening the functions of the secretariat of the board is also important** as a foundation for supporting effective discussions and oversight by the board of directors. Specifically, beyond merely ensuring the smooth operation of board of directors' meetings, the secretariat of the board is expected to **establish an environment conducive to substantive discussion by setting appropriate agendas based on the medium- to long-term management policy and the current business environment**, and by **servicing as a liaison to coordinate internally so that company information can be accurately provided to independent directors**.
- In addition, from the perspective of advancing initiatives while gaining the trust and support of investors, it is expected that **the status of discussions and oversight conducted by the board of directors will be communicated to investors in an easy-to-understand manner, and that dialogue with investors will be further deepened based on such disclosures**.

Ref.: Examples of Initiatives Related to the Key Points (Excerpts from previously published case studies) (1/2)

1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented?

ASAHI KASEI CORPORATION	3407	Prime	The company explained their policies and initiatives in an easily digestible story format by setting out questions from the perspective of stakeholders, beginning with measures to improve PBR, and having the management team respond to those questions.	2024 Case Studies (Prime) Page 5
Mitsui Chemicals, Inc.	4183	Prime	The company presented the direction of its business portfolio reform and provided a detailed explanation of each segment's medium- to long-term targets, KPIs, and business strategies.	2025 Case Studies (Prime) Page 15
Mitsubishi Electric	6503	Prime	Along with advancing the business portfolio strategy, including withdrawal and divestiture, the underlying approach and future direction are explained to investors in an easy-to-understand Q&A format.	2025 Case Studies (Prime) Page 5,6
THK	6481	Prime	To improve ROE, the company discloses their future initiatives chronologically, focusing on both improving operating profit and streamlining equity capital.	2025 Case Studies (Prime) Page 17
Hochiki	6745	Prime	The progress of and issues around optimizing the business portfolio are carefully explained, and, based on these, the future direction of initiatives is presented.	2025 Case Studies (Prime) Page 56
RYODEN	8084	Prime	A policy for business portfolio transformation through proactive investment in growth businesses is clearly indicated, and specific goals and strategies are disclosed for each segment.	2025 Case Studies (Prime) Page 68,69

2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision?

NIPPON GAS	8174	Prime	The company presents a growth story from a long-term perspective and formulating a medium- to long-term balance sheet plan and cash flow allocation policy.	2024 Case Studies (Prime) Page 67
THK	6481	Prime	The company discloses specific policies on balance sheet management and capital allocation, detailing how current and future cash flows will be allocated between growth investments and shareholder returns.	2025 Case Studies (Prime) Page 19
Takara Standard	7981	Prime	The company has clearly stated its cash allocation policy: while promoting the sale of non-operating assets such as strategically held shares and idle real estate, they will strengthen growth investments and shareholder returns.	2025 Case Studies (Prime) Page 63
Kanro Inc.	2216	Standard	A detailed cash flow allocation policy is explained which aims to create a virtuous cycle of maximization of operating cash flow through leverage of strategic investments and acceleration of further growth investments	2025 Case Studies (Standard) Page 2
KURIYAMA HOLDINGS CORPORATION	3355	Standard	The capital allocation policy is disclosed in detail, together with a specific explanation of the anticipated outcomes from growth investments.	2025 Case Studies (Standard) Page 6
VIS	5071	Standard	A policy to allocate funds generated through the optimization of cash and deposit levels to growth investments and other areas is clearly articulated, along with a policy to carry out M&As and human capital investments as growth investment themes.	2025 Case Studies (Standard) Page 13
FUKUVI CHEMICAL INDUSTRY	7871	Standard	Regarding capital allocation, specific plans are disclosed for increasing cash reserves through optimizing CCC and selling strategic shareholdings, as well as utilizing these assets mostly for growth investment.	2025 Case Studies (Standard) Page 27

(3) Are the assets it holds in an optimal state for value creation?

ASICS Corporation	7936	Prime	In order to improve capital efficiency, the company disclosed its plan to sell all cross-shareholdings and allocate the resulting cash for investment in growth and shareholder returns.	2024 Case Studies (Prime) Page 53
Itoki	7972	Prime	As part of their management strategy to enhance corporate value, the company is advancing their intellectual property strategy and explain the results of this initiative in detail.	2025 Case Studies (Prime) Page 59
Aoyama Trading	8219	Prime	The company indicates its ideal balance sheet and has begun work to achieve it through measures such as reviewing held assets, compressing inventory, and optimizing liquidity on hand.	2025 Case Studies (Prime) Page 71
SEIBU HOLDINGS	9024	Prime	The company calculated its proprietary ROIC indicators and business-specific hurdle rates and used them to optimize resource allocation, such as in decisions on real estate liquidation and new investments as well as the utilization of site monitoring.	2025 Case Studies (Prime) Page 32
SANKYU	9065	Prime	To achieve an optimal balance sheet, the company discloses their target equity level while promoting balance sheet streamlining through the sale of strategically held shares and the securitization of accounts receivable.	2025 Case Studies (Prime) Page 36
VIS	5071	Standard	A review of the balance sheet identifies an issue with excess cash and deposits. A policy is stated to redirect funds generated through optimizing cash and deposit levels to growth investments and shareholder returns.	2025 Case Studies (Standard) Page 12, 13

(4) Are discussions and oversight being carried out at the board level for items (1) through (3)?

Ushio Electric	6925	Prime	Analyze the progress and challenges of the initiatives outlined in their growth strategy and disclose them clearly. Investor feedback is reported to the Board of Directors and other relevant bodies and reflected in subsequent management decisions, and the status of these responses is also explained.	2025 Case Studies (Prime) Page 20, 23
RYODEN	8084	Prime	The Board of Directors took the lead in clarifying challenges such as business portfolio strategy, and disclosed its understanding of these issues, together with clear explanations of the strategies and initiatives to address them.	2025 Case Studies (Prime) Page 67
Aoyama Trading	8219	Prime	Even after announcing the mid-term plan, the company felt a sense of crisis over its PBR remaining below 1x. The Board of Directors discussed countermeasures and disclosed the content of these discussions. Initiatives were refined, including formulating additional growth strategies and revising the capital allocation policy.	2025 Case Studies (Prime) Page 71
Nippon Express Holdings	9147	Prime	Given that the PBR has remained below 1x even one year after the management plan was formulated, the company refined their targets and initiatives to accelerate efforts aimed at enhancing corporate value.	2025 Case Studies (Prime) Page 37
NISHIKAWA RUBBER	5161	Standard	With PBR still below 1 even after formulation of the medium-term management plan, disclosure content and initiatives have been refined to clarify the growth strategy narrative. Capital policy has been revised.	2025 Case Studies (Standard) Page 18
ARAYA INDUSTRIAL	7305	Standard	Along with strengthening dialogue with shareholders and investors, the contents of such dialogue are shared with the board of directors and incorporated in discussions on management strategy.	2025 Case Studies (Standard) Page 24

Ref.: Materials on Management That is Conscious of Cost of Capital and Stock Price

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

(Published in Mar. 2023)

This is the content of the request regarding “Action to Implement Management that Is Conscious of Cost of Capital and Stock Price,” published in March 2023. The request is addressed to all companies listed on the Prime Market and the Standard Market, and calls for the ongoing implementation of a series of actions, including analysis of the current situation, formulation and disclosure of plans, and the execution and subsequent refinement of initiatives.

2025 Case Studies (Prime Market/Standard Market)

(Published in Dec. 2025)

As examples of initiatives and disclosures that have received a certain level of positive evaluation from investors for addressing the key points of the expected actions, this document introduces the initiatives and disclosures of 33 companies. (21 Prime cos. and 12 Standard cos.)

Index - II. TOPIX Mid 400

Page #	Company Name	Sector	2024 Case Study Initiative Status
6	Mitsui Chemicals, Inc.	Chemicals	✓
6	THK CO., LTD.	Machinery	•
7	USHO INC.	Electric Appliances	•
7	Yakuhama Financial Group, Inc.	Bank	✓
8	ASIN CORPORATION	Transportation Equipment	•
8	SEBU HOLDINGS INC.	Land Transportation	✓
10	SANYO INC.	Land Transportation	•
11	SANYO ELECTRIC HOLDINGS, INC.	Land Transportation	•
12	Yamaha Motor Co., Ltd.	Land Transportation	•

Case 5: THK (6481) (i)

President Message: We will thoroughly strengthen what needs to be strengthened and courageously change what needs to be changed.

Voice of Investors: The president personally demonstrated a strong commitment to “achieving an ROE exceeding 10% at an early stage,” and presented a concrete roadmap for achieving this goal from both the perspectives of improving operating profit and streamlining equity capital. Each initiative possesses a compelling narrative and is backed by quantitative target figures, lending credibility to its feasibility.

Path to “ROE of Over 10%”

To improve ROE, the company discloses their future initiatives chronologically, focusing on both improving operating profit and streamlining equity capital. (Point III.3)

Case Studies of Companies’ Initiatives Toward Issue Resolution

(Published in Dec. 2025)

TSE conducted interviews with six companies that have overcome challenges commonly faced by many companies (such as changing mindsets and spreading awareness within the company, identifying and effectively using the cost of capital, and formulating mid- to long-term capital policies) and introduces their initiatives, processes, and outcomes.

Introduction: Purpose of the Case Studies and How to Use Them

Purpose: This publication is a collection of case studies of the initiatives of listed companies that successfully resolved the issues that they faced when facilitating “management that is conscious of cost of capital and stock price.”

How to Use: The table of contents (p. 2) shows each company studied and company that faced similar issues to yours.

Case #1: ITOHI CORPORATION (7972)

Initiatives: Building a structure to spread “investors’ perspectives” within the company and serve as the foundation for reforms and the company website.

(1) Changing Mindsets / Spreading Awareness Within the Company: The company’s management and its board of directors are not making any progress on considering initiatives because they lack an awareness of the issues and a sense of urgency.

(2) Setting a Medium- to Long-Term Capital Policy: The company does not know investors’ expectations or the criteria to use when making decisions regarding the balance between growth, investments, shareholder returns, and internal reserves.

Contents of Executive-Level Study Group: TSE Request Regarding “Management That is Conscious of Cost of Capital and Stock Price”, Understanding/Analysis of Stock Price and Various Indicators (e.g., PBR, ROE), Institutional Investors’ Expectations of the Company, and so on.

Corporate Rep’s Remarks: Particularly with regard to spreading awareness to employees and workplaces, we try not to tie them down to precise numerical targets but instead focus on demonstrating top management’s commitment and using broad brainstorming to share its course of action and way of thinking.

Materials Available on the JPX Group Website <https://www.jpx.co.jp/english/equities/follow-up/02.html>

Ref.: The Investor's Perspective and Compilation of Case Studies on Such Matters as Parent-Subsidiary Listings

- ◆ To assist listed companies in their consideration of group management and the protection of minority shareholders (ensuring shared benefits for shareholders of subsidiaries), TSE compiled and published **materials outlining investors' perspectives and case studies** on such matters as parent-sub subsidiary listings, based on interviews with a large number of investors in Japan and overseas.
- ◆ **Listed companies that have parent-sub subsidiary relationships or relationships under the equity method are requested to refer to these materials** in conjunction with the key points addressed in this document, in order to gain the support and trust of investors with a medium- to long-term investment perspective.

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

(Published in Feb. 2025)

This document presents the investor perspective, together with examples of specific situations where companies' initiatives are not aligned with that perspective.

(Ref.) Structure of This Document

Group Management

Minority Shareholder Protection

Parents

- The Investor's Perspective on Parents PG-7
- Cases of Misalignment with the Investor's Perspective PG-9
- Cases of Misalignment with the Investor's Perspective PG-10
- Cases of Misalignment with the Investor's Perspective PG-11

Companies with a Quasi-controlling Shareholders

- The Investor's Perspective on Companies that are Quasi-controlling Shareholders PG-22
- Cases of Misalignment with the Investor's Perspective PG-23

Subsidiaries

- The Investor's Perspective on Subsidiaries PG-14
- Cases of Misalignment with the Investor's Perspective PG-15
- Cases of Misalignment with the Investor's Perspective PG-16

Companies with a Quasi-controlling Shareholder

- The Investor's Perspective on Companies with a Quasi-controlling Shareholder PG-24
- Cases of Misalignment with the Investor's Perspective PG-25

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

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

Investors' Comments

Example (based on an actual disclosure)

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

Example (based on an actual disclosure)

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

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

(Published in Dec. 2025)

This document introduces examples of companies' initiatives and disclosures that have received a certain level of positive evaluation from investors, from the perspectives of group management and the protection of minority shareholders.

Index

Points featured in this compilation:

#	Company Name (Parent/Subsidiary)	Group Management	Protection of Minority Shareholders	Page No.
1	Roche/Chugai Pharmaceutical	●	●	p. 5-7
2	NIL/Nippon Paint Holdings	●		pp. 8-10
3	Canon/Canon Marketing Japan	●		pp. 11-12
4	Fujitsu/SHINKO, FDK, Fujitsu General	●		
5	NTT/NTT DATA	●		
6	ITOCHU/DESCENTE	●		
7	ADEKA/Nihon Nohyaku	●		
8	SoftBank Group/SoftBank	●		

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

Information disclosed by Chugai Pharmaceutical

Significance of the Strategic Alliance

With Win Partnership through Network-based Management

Benefits for Roche

- Consolidating Chugai by acquiring a majority of its shares
- Strengthening its presence in Japan (where its business is growing)
- Expanding its global network (including its global network through Roche's management and sales network)

Benefits for Chugai

- Maximizing its stock market listing and corporate identity as Chugai Pharmaceutical
- Maintaining its management autonomy
- Ensuring business rights to market Roche products in Japan
- Gaining access to the global market through Roche's management and sales network
- Flexing its management resources on R&D

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

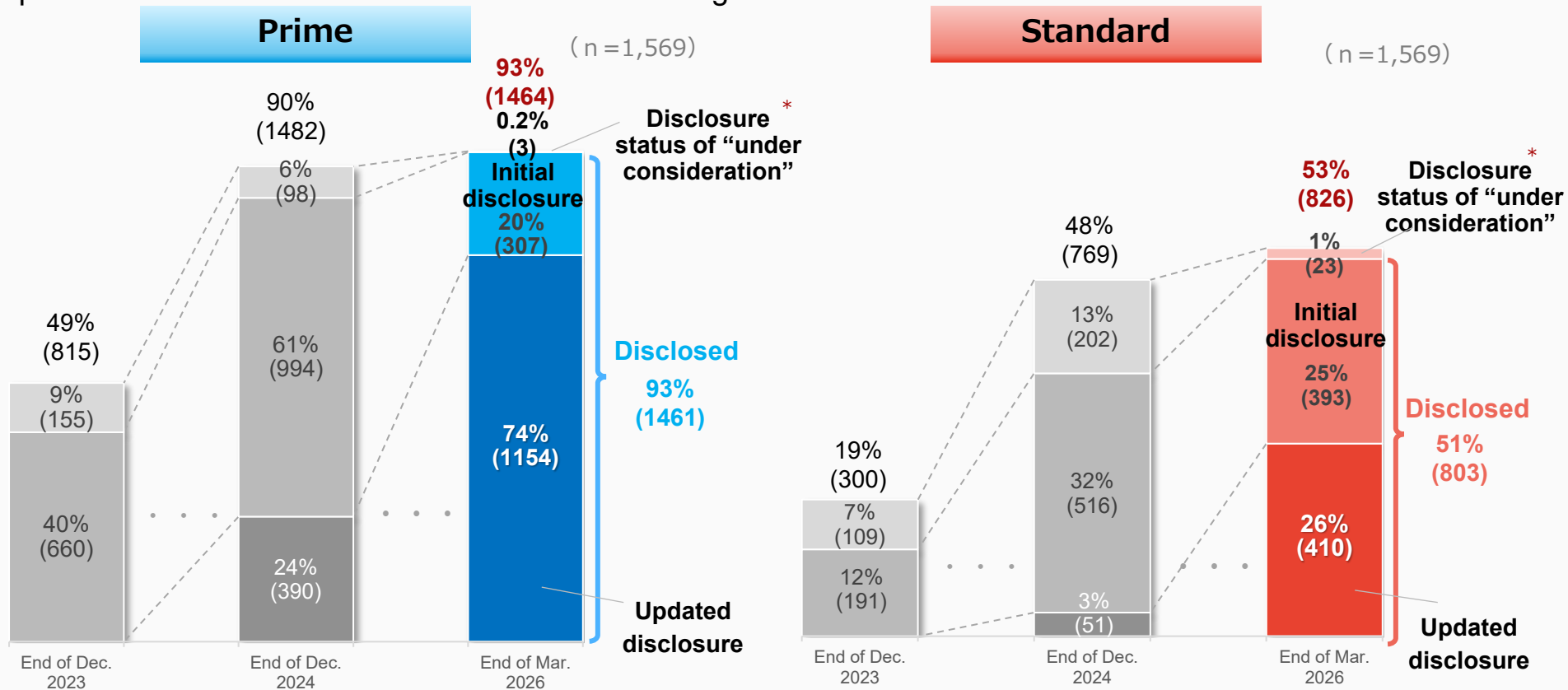
Note: The two slides on this page were translated into English by Chugai Pharmaceutical

Materials Available on the JPX Group Website <https://www.jpx.co.jp/english/equities/improvements/study-group/index.html>

Reference Data, etc.

Status of Disclosures and Updates

- ◆ The number of companies making and updating disclosures has increased significantly in the three years since the request.
- 93% of Prime Market listed companies (1,464) and 53% of Standard Market listed companies (826) have disclosed. (As of the end of March 2026, Including companies with a disclosure status of “under consideration”.)
- 74% of Prime Market listed companies (1,154) and 26% of Standard Market listed companies (410) have updated the contents of their disclosures after making their initial disclosures.



Note: Starting from January 2025, the inclusion period for “under consideration” on the List of Companies That Have Disclosed Information is six months, and companies that exceed this period are classified as “undisclosed.”

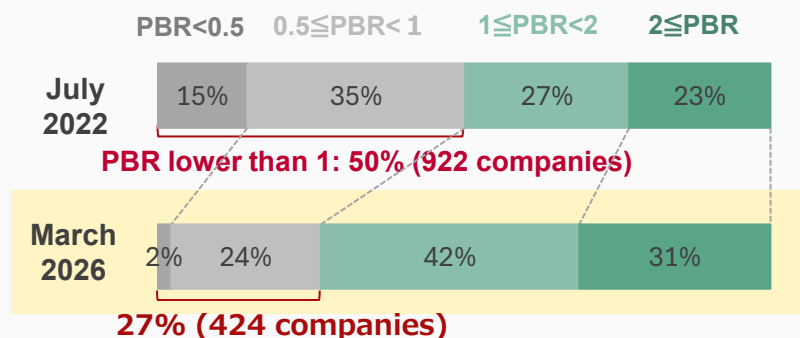
Changes in Distribution of PBR and ROE

◆ The distribution of PBR and ROE has been improving over the past few years.

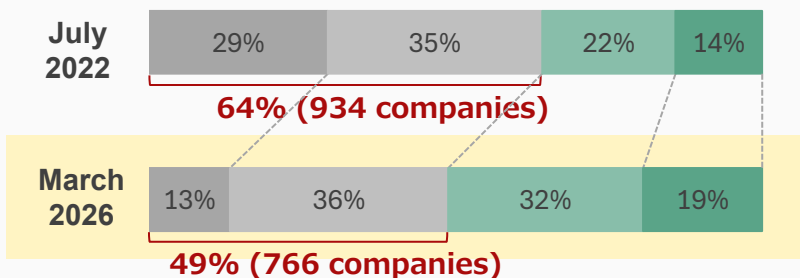
- Companies with PBRs below 1x accounted for 27% (-23 pt) of companies in the Prime Market and 49% (-15 pt) in the Standard Market.
- Companies with ROE below 8% accounted for 43% (-4 pt) of companies in the Prime Market and 60% (-3 pt) in the Standard Market.

Change in PBR Distribution by Market Segment

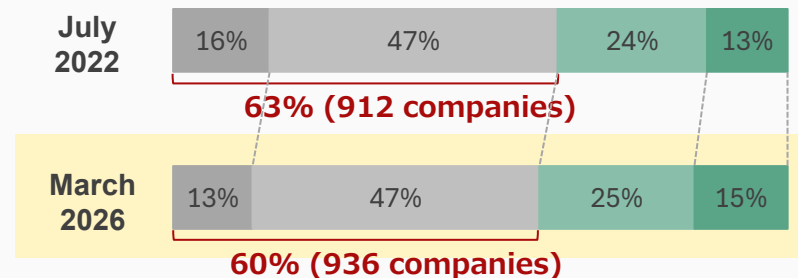
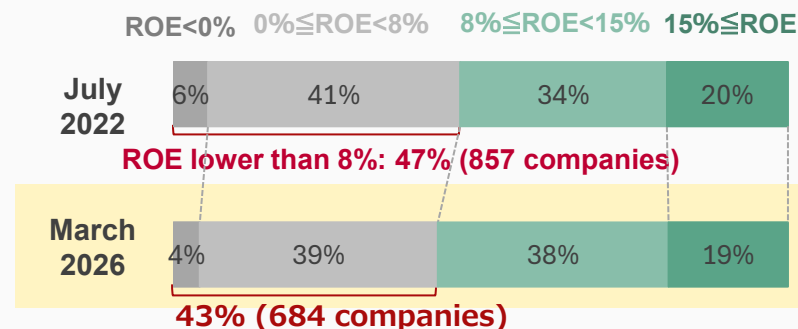
Prime



Standard



Change in ROE Distribution by Market Segment



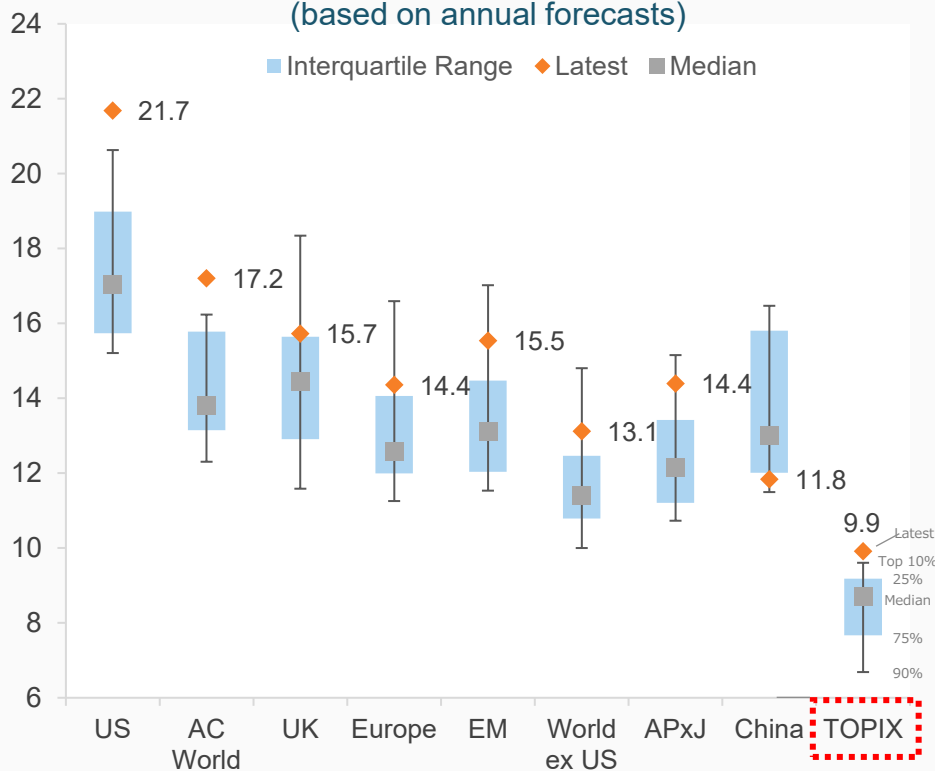
Note 1: Compiled by TSE based on QUICK data.
Note 2: Data as of July 1, 2022 and March 1, 2026

Recent International Comparison (ROE & PBR) (1)

- ◆ Although capital efficiency and market valuation of Japanese companies have been improving overall, when compared with other countries, there is still substantial room for further growth.

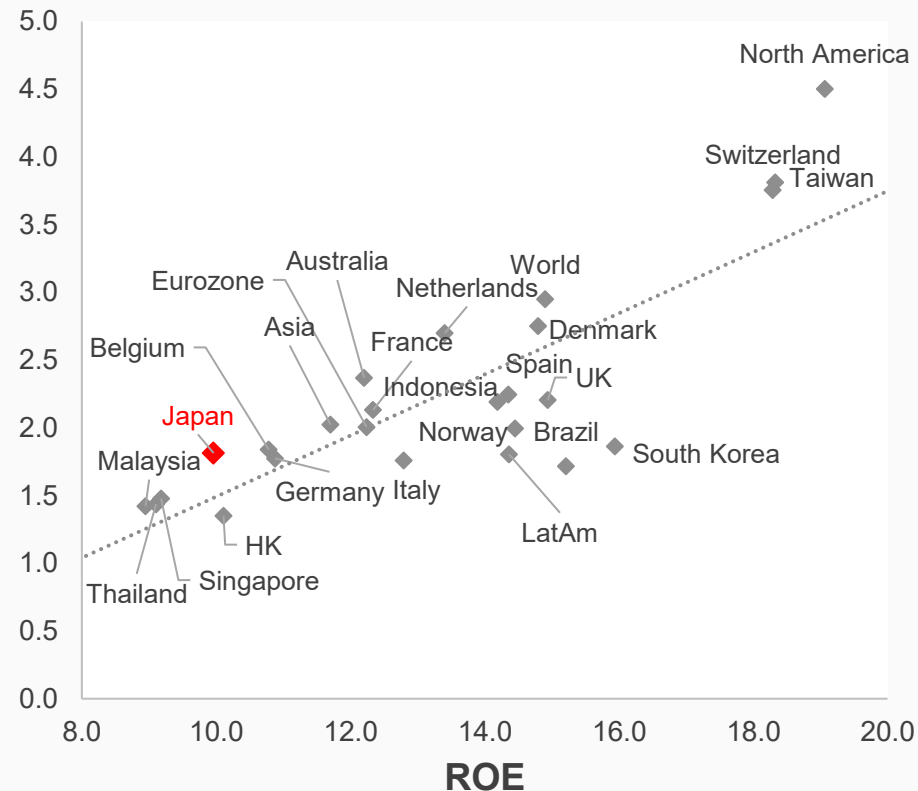
ROE (Past/Latest)

ROE Distribution of monthly ROE over the past 20 years (based on annual forecasts)



ROE & PBR (Latest)

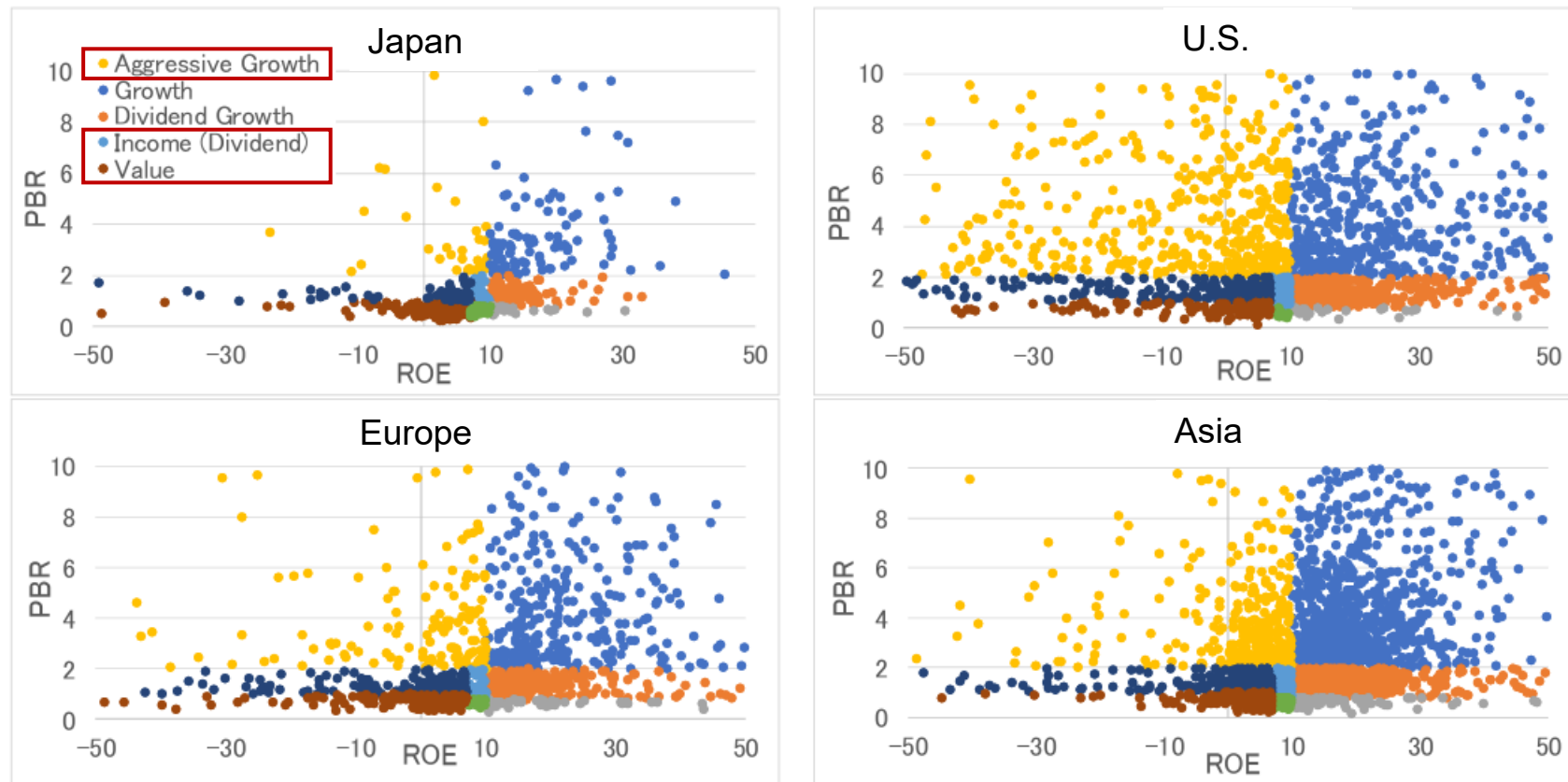
PBR



Data provided by: Goldman Sachs Securities Co., Ltd.

Recent International Comparison (ROE & PBR) (2)

- ◆ Compared with companies in other countries, Japan tends to have a larger share of companies with lower expectations for growth (value/income) and a notably small share of companies with higher expectations for growth (aggressive growth).



* Prepared by council member Sampei based on Credit Suisse HOLT Lens data. The data is based on closing prices as of April 8, 2022.

* Aggressive growth: PBR of 2x or more and ROE below 10%; Growth: PBR of 2x or more and ROE of 10% or higher; Dividend growth: PBR between 0.8x and 2x and ROE of 10% or higher; Income: PBR between 0.8x and 2x and ROE between 7% and 10%; Value: PBR below 1x and ROE below 7%.

* Survey scope: companies with a market capitalization of USD 1 billion or more and a positive PBR (Japan: 647 companies; U.S.: 2,080; Europe: 1,227; Asia: 2,770).

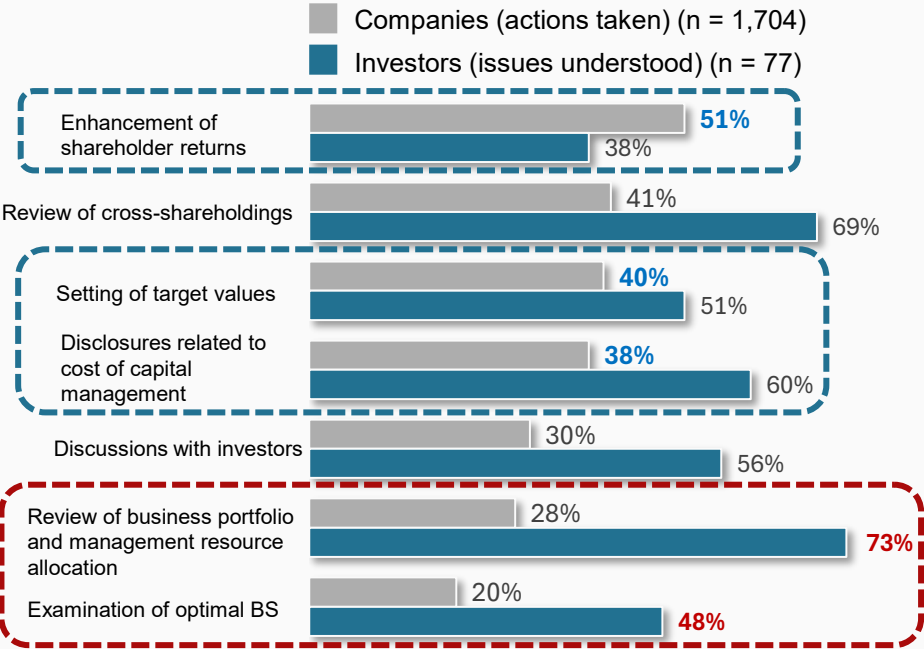
Source: Document 6 from the First Report of the Subcommittee on Value Creation Management under the Committee on New Direction of Economic and Industrial Policies of the Industrial Structure Council (February 4, 2025)

Gap in Understanding Between Companies and Investors

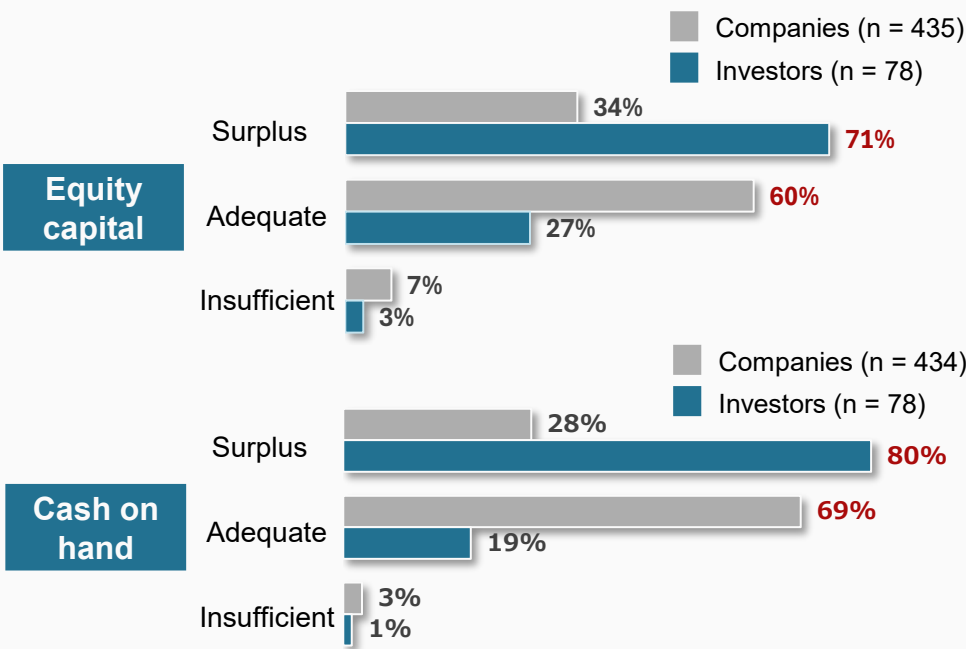
◆ There is a gap in understanding between companies and investors regarding issues pertaining to management resource allocation.

- While initiatives that are easier to undertake, such as enhancing shareholder returns, are making progress, sufficient progress has not been made in areas that many investors view as critical issues, including **reviews of business portfolios, reassessment of the allocation of management resources, and examination of optimal balance sheets.**
- There is a **gap in understanding between companies and investors** regarding levels of equity capital and cash on hand.

Actions taken by companies and issues as seen by investors toward achieving management that is conscious of cost of capital and stock price



Understanding of levels of equity capital and cash on hand (companies & investors)



Source: (Left) Prepared by TSE based on “Reforming Corporate Governance to Refine and Realise Value Creation Story –Report on the Corporate Governance Survey 2025–” by Sumitomo Mitsui Trust Bank (Right) Prepared by TSE based on “Detailed Survey Results on Approaches toward Enhancing Enterprise Values (2025 Edition)” by The Life Insurance Association of Japan