Summary of Public Comments on “Revisions to the Listing Rules Regarding MBOs and Subsidiary Conversions” and Responses from TSE

Tokyo Stock Exchange, Inc. (TSE) published an outline of “Revisions to the Listing Rules Regarding MBOs and Subsidiary Conversions” on April 14, 2025, and sought public comments on it until May 14, 2025. A total of 27 comments were received in response.

The following is a summary of the main comments received and TSE’s responses.

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	1. The Code of Corporate Conduct on MBOs and Subsidiary Conversions	
	(1) Revisions in General	
1.	・ The Ministry of Economy, Trade and Industry's Fair M&A Guidelines are less stringent than the Guidelines for Corporate Takeovers, and there are many cases in practice where the interests of minority shareholders are neglected. Under such circumstances, it means a great deal for TSE to revise its listing rules with regard to transactions that take a company private, which involve significant conflicts of interest. ・ However, the current draft largely confirms existing practices and is unlikely to have a significant impact. Six years have passed since the formulation of the Fair M&A Guidelines, and practical issues have become apparent. Given that TSE has led major market reforms in recent years, we expect it to take more decisive action.	- Thank you for your support for the purpose of these revisions. - We are revising the Code of Corporate Conduct (matters to be observed), which are obligations under the Listing Rules, with regard to obtaining opinions from special committees and ensuring necessary and sufficient disclosure of information, so that the framework of the Fair M&A Guidelines, which are regarded as best practices, can function more effectively.

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		- We will continue to review and implement necessary measures, considering future trends in corporate acquisitions and practical developments in the market.
2.	・ We request that TSE substantially strengthen its examination and supervision functions to ensure that the provisions of the Code of Corporate Conduct are fully implemented. In cases of violations of the Code of Corporate Conduct, we usually see measures such as requesting improvement reports or public announcements, but in the case of MBOs and subsidiary conversions, since the target company will eventually be delisted, we request that TSE publicly sets out a policy for more effective responses.	- Violations of the Code of Corporate Conduct (matters to be observed) related to MBOs and subsidiary conversions are, as you pointed out, subject to measures to ensure effectiveness such as public announcement measures or imposition of listing agreement violation penalties. - We will continue to discuss more effective responses in collaboration with relevant parties, considering the actual situation regarding compliance with the Code.
	(2) Scope of Actions Covered by the Code	
3.	・ An MBO, like a conversion into a wholly-owned subsidiary by its controlling shareholder, involves the risk of structural conflicts of interest. Therefore, we agree that it should be subject to the requirement to obtain an opinion in order to protect the interests of general shareholders.	- Thank you for your support for the purpose of these revisions.
4.	・ Given that the voting rights exercise ratio at shareholders' meetings is generally around 80%, a subsidiary conversion by an other related company constitutes a	- Considering the risk of structural conflicts of interest between other related companies

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	conversion by a company that exerts considerable influence over the target company. This point is also clear from the definition of "affiliated companies" in the Financial Statements Regulation, which states that the term "affiliated company" means "when a company, etc. or its subsidiary company is able to exert a material impact on the financial and operational or business policy decisions of another Company, etc. that is not a subsidiary company, due to their ties in terms of investment, personnel, funds, technology, transactions, etc." Therefore, we agree that a subsidiary conversion by an other related company should also be subject to the requirement to obtain opinions to protect the interests of general shareholders.	and the target company, as well as the recent trend toward group reorganization not limited to parent-subsidiary relationships but also involving listed companies under the equity method, from the perspective of protecting the interests of general shareholders, these revisions will include subsidiary conversions by other related companies in the scope of measures requiring opinions from a special committee and necessary and sufficient disclosure of information. - However, as pointed out, the extent of conflicts of interest may vary in individual cases. Therefore, these revisions do not necessarily require that all the Fairness Ensuring Measures be implemented to the same extent as those required for subsidiary conversions by controlling shareholders. - Companies are expected to consider which Fairness Ensuring Measures should be implemented and to what extent, based on the extent of the conflict of interest in each
5.	・ Even in cases of a subsidiary conversion by an other related company or similar, the same level of disclosure as in cases of a subsidiary conversion by a controlling shareholder should be provided, as the interests of general shareholders may be harmed. Therefore, we agree that necessary and sufficient disclosure should be required even in a case of a decision being made on a subsidiary conversion by an other related company.	
6.	・ "Other related companies" may include entities with limited ties to the listed company, so it is questionable whether they should be treated uniformly with MBOs or subsidiary conversions by controlling shareholders. We request that TSE consider regulations that allow for exceptional handling for other related companies.	
7.	・ It is not necessary to mandate "obtaining an opinion stating that the transaction	

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	is fair" or "necessary and sufficient disclosure" for all cases of subsidiary conversions by other related companies. The degree of involvement of other related companies in the business operations or governance of a listed company varies, so rather than imposing uniform obligations, it is necessary to carefully examine whether there are any structural conflicts of interest or other issues while receiving advice from legal advisors, and determine whether obtaining opinions or making necessary and sufficient disclosures is required.	case, and provide explanations to investors.
8.	・ Since the degree of independence from other related companies varies, rather than uniformly requiring the same level of content in terms of opinions and disclosure as in cases of subsidiary conversions by controlling shareholders, it is appropriate to apply the "comply or explain" approach, depending on the degree of independence. In practice, overly conservative practices, such as establishing special committees, are observed even in transactions where this is not expected by the Fair M&A Guidelines, so there is a danger that these revisions will further promote such overly conservative practices.	
9.	・ I generally agree with the expansion of the scope of actions, but in the case of the proposed subsidiary conversions by other related companies, the conflict of interest is clearly different from that in an MBO or a subsidiary conversion by a controlling shareholder. Given this, and also for consistency with the new takeover bid rules, the actions to be added should be changed from "a subsidiary conversion by an other related company" to "a subsidiary conversion by a shareholder holding 30% or more of the voting rights."	

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10.	・ The structural risks associated with subsidiary conversions by controlling shareholders or through MBOs differ from those associated with subsidiary conversions by other related companies. Therefore, the extent of measures to ensure fairness may also vary. Accordingly, an approach to this should be clarified in the Timely Disclosure Guidebook or other documents.	
11.	・ We would like for the same response to be taken for all acquisition cases, not just subsidiary conversions by controlling shareholders or related companies and MBOs.	- These revisions have focused on actions that are considered to involve significant structural conflicts of interest, such as MBOs and subsidiary conversions by controlling shareholders or other related companies. Therefore, we have not made it a requirement to obtain opinions from a special committee or to disclose necessary and sufficient information in all cases involving acquisitions by other parties or partial acquisitions that maintain the listing of the company. - We will continue to consider the submitted comments, considering future trends in corporate acquisitions in the market and developments in practice.
12.	・ The scope of actions should include subsidiary conversions through partial acquisitions (when the target becomes a listed subsidiary). Since making a company a subsidiary results in a transfer of management control in practice, it is necessary to provide sufficient explanation and disclosure of the fact that the subsidiary conversion is not disadvantageous to general shareholders.	
13.	・ The expansion of the scope of actions does not cover partial acquisitions, acquiring from one-third to a majority of shares while maintaining listing. Since this is also not covered by the Fair M&A Guidelines, there is a strong need for minority shareholder protection in such cases. In Japan, the threshold for the obligation to purchase all shares is set at two-thirds or more, which is relatively high. As a result, partial acquisitions are being misused as a kind of takeover defense measure. Even in cases of partial acquisitions, as long as the board of directors of the target company is required to express its opinion on the takeover bid, it should be made clear that the same rules apply.	

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14.	・ Since the special committee is a relatively serious procedure for obtaining opinions on the actions subject to the rule, we would like TSE to clearly define the scope of actions subject to deliberation by a special committee so that it can be clearly judged.	- TSE clarifies the scope of actions in the Securities Listing Regulations and its Enforcement Rules and provides the details in the Guidebook for Timely Disclosure of Corporate Information. (https://www.jpx.co.jp/equities/listing/disclosure/guidebook/index.html) **Japanese only*
15.	・ The meaning of "such as" in the phrase "takeover bid by an entity such as its controlling shareholder or an other related company" is not clear. It should be clarified to ensure predictability in business practices.	- Share exchanges and other transactions involving the entities listed below, in addition to the controlling shareholders of listed companies ("parent company" prescribed in Article 8, Paragraph 3 of the Financial Statements Regulation or "entity which directly or indirectly hold a majority of the voting rights" in Rule 3-2 of the Enforcement Rules for Securities Listing Regulations) and "other associated companies" (called other related companies in the TSE rules) prescribed in Article 8, Paragraph 8 of the Financial Statements Regulation, shall be subject to the requirements of obtaining opinions from a special committee and disclosing necessary

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		and sufficient information: (1) A company, etc. that has the same parent company as the listed company (excluding the listed company and its subsidiaries, etc.); (2) A director of the parent company of the listed company or a close relative of such a director; (3) A close relative of a controlling shareholder of the listed company (excluding the parent company of the listed company); (4) A controlling shareholder of the listed company (excluding the parent company of the listed company) or a company, etc. in which a person referred to in the previous item holds a majority of voting rights on their own account and said company's subsidiaries, etc. (excluding the listed company and its subsidiaries, etc.); (5) A parent company of an other related company of the listed company; or

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		(6) A subsidiary of an other related company of the listed company.
16.	・ In the case of a share exchange, general shareholders can enjoy the synergistic effect from the acquisition by holding shares acquired as consideration. Do the new rules apply not only to cash-outs in the form of cash consideration but also to subsidiary conversions in the form of share consideration? In addition, please clarify the scope of application by specifying methods that are considered to fall under "such as" in "an action such as a share exchange" and explain the rationale behind this.	- The rules apply to share exchanges, share transfers, share consolidations, whole acquisitions of class shares with whole acquisition clauses, and requests for sale of shares, etc. (limited to those that are expected to result in delisting) involving controlling shareholders or other related companies. - In addition, in cases where the consideration for the acquisition is the shares of the acquired company, as you point out, even after the acquisition, general shareholders may continue to receive the value realized through the acquisition by holding the shares of the acquired company, but if the transaction conditions such as the share exchange ratio are not fair, the value that can be gained may be significantly reduced. Since ensuring the fairness of the transaction is as important as in cases where the
17.	・ The meaning of "such as" in "an action such as a share exchange in connection with the entity" is not clear. This should be clarified to ensure predictability in business practices.	

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		consideration is in cash, we have also made these cases subject to the requirement to obtain opinions from a special committee and to disclose necessary and sufficient information.
18.	・ The wording "an action such as a share exchange in connection with an entity such as a controlling shareholder or other related company" is unclear as to whether it applies only when the entity such as a controlling shareholder or other related company is a party to an M&A, or whether it also applies in cases where said entity is not a party to an M&A. The scope of application should be clarified, and to avoid unduly expanding the scope of application in consideration of the burden placed on companies, the wording should be unified to "by," clearly specifying that the provision applies only when the controlling shareholder or other related company is a party to an M&A.	- For share exchanges and share transfers, as you mentioned, cases where the controlling shareholder or other related company carries out the action as a party to an organizational restructuring are subject to the requirement. - For share consolidations, whole acquisitions of classified shares with whole acquisition clauses, and requests for sale of shares, etc., applicable cases are where a controlling shareholder or an other related company is the party to an acquisition and uses said action as a method to squeeze out general shareholders while keeping the controlling shareholder or other related company as shareholders. - Furthermore, even if the controlling
19.	・ Please clearly state that the scope of actions includes a share consolidation in cases where the remaining shareholders after the share consolidation are limited to the officers, controlling shareholders, and other related companies of the target company and no takeover bid is conducted in advance.	

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		shareholder or other related company is not a party to an acquisition, if it makes a transaction with the intent to remain as a shareholder of the target company (including cases where it indirectly holds shares of the target company) even after the completion of the takeover bid and the subsequent squeeze-out of general shareholders, such as by entering into a non-takeover bid agreement with the bidder or reinvesting in the bidder, we consider this as equivalent to the actions included in the rules and expect that the same procedures will be implemented, depending on the nature of the transaction and the extent of structural conflicts of interest. Specifically, for example, if a controlling shareholder or an other related party, as a result of a series of transactions, maintains or strengthens its influence over the target company directly or indirectly as an other related party, this is considered an equivalent action to those included in the rules and it is appropriate to

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		implement procedures accordingly.
	(3) Revisions related to the opinion stating that the transaction will not undermine the interests of minority shareholders	
	(a) Opinion provider	
20.	・ These revisions take into account the position of special committees under the Fair M&A Guidelines and the practical implementation thereof, and we agree that opinions should be obtained from a special committee composed of independent directors who have no conflict of interest with general shareholders, from the perspective of protecting the interests of general shareholders.	- Thank you for your support for the purpose of these revisions.
21.	・ In these revisions, the members of a special committee are defined as "outside directors, outside auditors, and outside experts with no vested interest" in the bidder. Please add the following wording to this: "However, this shall be limited to persons who are independent from the issuer of shares held by the target listed company or the controlling shareholder or other related companies of the target listed company, or from companies that hold shares of the target listed company or the controlling shareholder or other related companies of the target listed company (excluding holdings solely for the purpose of obtaining investment gains from stock investment)."	- The original draft requested obtaining opinions from a special committee composed of outside directors with no vested interest. However, considering comments we received and the Fair M&A Guidelines, we will clarify that members of a special committee must be independent from the bidder and from the outcome of the transaction. - In addition, with regard to independence from the bidder, a practical judgment will be expected to be made based on the specific

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		circumstances of each case, taking into consideration TSE's independence criteria and other relevant factors. - The fact that a person has a connection to a company that has a strategic holding in the target company or the target company's controlling shareholder/other related companies does not automatically negate their independence. However, it is necessary to assess whether the company is a major shareholder or major business partner of the bidder, or may have another conflict of interest with other general shareholders, and to make a practical judgement of their independence based on such factors. - Additionally, regarding obtaining opinions on significant transactions, etc. with other controlling shareholders, in conjunction with these revisions, the expression "an entity that has no interest in such controlling shareholder" will be revised to "a person who is independent from such controlling shareholder."

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22.	・ A listed company shall obtain an opinion from a special committee composed of outside directors, outside auditors, and outside experts with no vested interest. In MBOs and subsidiary conversions with a high risk of structural conflicts of interest, where the acquisition price is particularly important, the special committee must include members with deep knowledge on corporate finance.	- As we foresee situations where special committees compensate for a lack of expertise in finance by obtaining expert advice from advisors or other means, these revisions do not establish uniform requirements for the expertise of members of the special committee. - However, to ensure that special committees can fulfill their expected role while utilizing expert advice, we will continue to provide information to listed company outside directors who will serve as special committee members to facilitate expertise related to corporate acquisitions. - In addition, regarding the composition of the special committee (such as attributes and expertise), we will request an explanation from the perspective of whether procedural fairness is ensured in the committee's opinion.
23.	・ When an acquisition proposal is made, it is important to assess whether outside directors have the necessary capabilities to respond appropriately. The board of directors should carefully consider a skills matrix to confirm whether there is sufficient independent financial expertise available to form a special committee.	
24.	・ The Fair M&A Guidelines point out that there are cases where it is difficult to establish a special committee, for example in urgent situations such as the	- As suggested, in cases where TSE deems it extremely urgent, such as acquisitions during

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	acquisition of a company in corporate failure, where prompt action is essential. Given this, we request that TSE consider setting exceptions that do not require the establishment of the committee in such cases.	corporate restructuring, the establishment of a special committee will not be mandatory, and it will be sufficient to obtain an opinion from an entity who is independent from the bidder and the outcome of the transaction, such as an individual independent director.
	(c) Contents of the opinion	
25.	・ Changing the opinion obtained from a special committee from an "opinion stating that the transaction will not undermine the interests of minority shareholders" to an "opinion stating that the transaction is fair to general shareholders" clarifies the intent of the Fair M&A Guidelines and aligns with the role of the special committee, so we consider the revision appropriate. ・ It is also appropriate to include in the opinions the content regarding "the pros and cons of the scope of actions," "fairness of the terms of the transaction," and "fairness of the procedures" and to specifically require the deliberations and decisions on "whether the terms, including level of the acquisition consideration, method of acquisition, and type of acquisition consideration, are fair" regarding "fairness of the terms of the transaction." This is because such requirements, combined with the requirement to disclose the opinion itself, are essential for fulfilling accountability in terms of "fairness" from the perspective of whether the transaction ensures that the increase in corporate value after going private is fairly distributed to general shareholders when conflicts of	- Thank you for your support for the purpose of these revisions.

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	interest arise between management/controlling shareholders, etc. and general shareholders.	
26.	・ The sentence "from the perspective of ensuring "transactions that fairly distribute the increase in corporate value to general shareholders" and in accordance with the Fair M&A Guidelines, an opinion on 'fairness' will be required" could be interpreted as requesting opinions on whether synergies have been quantified and whether these have been fairly distributed to the shareholders of the target company. However, considering that quantifying synergies by the target company side is hard and that, under current practices, the share value calculation by the target side is conducted solely on a standalone basis, we understand that the concept outlined in the Fair M&A Guidelines is that the appropriate allocation of synergies is achieved through the deliberations and decisions on fairness of the terms of the transaction and fairness of the procedures by the special committee. Therefore, when releasing any material in the future with a similar description, please consider revising the wording to something like the following: "... there have been cases where an opinion of "not undermining the interests" was given... Therefore, in accordance with the Fair M&A Guidelines, TSE will more proactively seek an opinion on whether the transaction is "fair" to general shareholders, [including the following specific matters]."	- There were cases where an opinion of "not undermining the interests" was given just because general shareholders would be allowed the opportunity to sell their shares at a price with a certain premium over the market price, despite their concerns about the fairness of the price. In light of this, and in accordance with the Fair M&A Guidelines, these revisions will require an opinion that goes further to confirm that the transaction is "fair." - When judging the fairness of a transaction, the fundamental criterion is whether the transaction fairly distributes the increase in corporate value to general shareholders, as outlined in the Fair M&A Guidelines. - On the other hand, as suggested, it may be difficult for a target company to quantify the increase in corporate value in some cases. Therefore, these revisions do not necessarily
27.	・ The value realized through M&A can theoretically be divided into two types: (a) value that could be realized without the M&A, and (b) value that cannot be	

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	realized without the M&A. However, it is in practice extremely hard to directly confirm the value of (b) or the portion of such value that should be obtained by general shareholders using an objective method. Therefore, we request that it be clarified that the special committee is not being asked to directly confirm or calculate the value of (b) or the portion of such value that should be obtained by general shareholders.	require quantitative calculation or explanation of the increase in corporate value or the value of the portion that should be obtained by general shareholders. - The special committee is required to provide an opinion on whether the transaction is fair, taking into account the above fundamental criterion, as well as deliberations on the fairness of terms of the transaction and the procedures explicitly stated in these revisions.
28.	We understand that since there were cases where an opinion of "not undermining the interests" was given just because general shareholders would be allowed the opportunity to sell their shares at a price with a certain premium, despite their concerns about the fairness of the price, the revision to the opinion on "fairness" was considered. However, if "transactions that fairly distribute the increase in corporate value to general shareholders" is stated independently, this could be interpreted as a requirement for the use of business plans including synergies to conduct evaluations such as by the DCF method and the distribution of such value to general shareholders, which differs from the description of the Fair M&A Guidelines. We request that TSE consider wording that conveys the intent that general shareholders should be assured the legitimate benefits they are entitled to through fair procedures.	
29.	・ We agree with revising the content of the opinion from the previous "not undermine the interests of minority shareholders" to "fair to general shareholders." However, the term "fair" leaves room for interpretation that it merely satisfies the minimum requirement of "not undermining the interests,"	- Thank you very much for your valuable comments. - In these revisions, an opinion on the "fairness" of the transaction will be required

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	raising concerns that it may not sufficiently fulfill the duty of those entrusted with capital to pursue the best interests of shareholders. Therefore, we request that "being fair" is explicitly defined as "being conducive to the best interests of general shareholders."	based on the fundamental criterion of whether the transaction fairly distributes the increase in corporate value to general shareholders, as outlined in the Fair M&A Guidelines. However, we will continue to consider the submitted comments, taking into account future trends in corporate acquisitions in the market and developments in practice.
30.	・ In deciding whether the transaction is fair to general shareholders, fairness of the transaction terms is considered particularly important. Considering the points set out in the Notes, should we make decisions by considering the following points, for example, as criteria for fairness? (1) That consultation and negotiation have been appropriately conducted between the takeover bidder and the target company; (2) that the financial forecasts and the assumptions used as the basis for the calculation (if there are special preconditions, including such preconditions) have been deemed rational; (3) that the target company's past market share price is subject to a premium that is at the same level as the average premium for similar cases. ・ In addition, do we understand correctly that "the fairness of the terms of the transaction" refers to the fairness of the overall terms of the transaction, including the method of the transaction and the type of consideration, rather	- As you understand, regarding the "fairness of the terms of the transaction" indicated as a perspective of deliberations, the following points are examples of criteria expected to be used for deliberations: (1) whether deliberation and negotiation with the bidder regarding the terms of the transaction are being conducted with the aim of maximizing corporate value while securing the most favorable transaction terms possible for general shareholders; (2) whether the financial forecasts and the assumptions used as the basis for the calculation are rational;

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	than just requiring an opinion on the fairness of the consideration itself?	and (3) whether the premium compared with past market prices and similar cases are reasonable. - Also, the fairness of the acquisition method and the type of consideration, among other factors, must be considered, not limited to the level of the acquisition consideration.
31.	・ We highly appreciate TSE's requirement for more detailed disclosure regarding the negotiation process with a bidder. Currently, disclosures mainly consist of statements that the price offered by the bidder was low and then gradually raised until an agreement was reached, and there are cases where the negotiation strategy was changed and price negotiations were abandoned, or cases where the valuation was unreasonable or unreasonable valuations were not corrected. ・ The bidder's negotiation procedures should be as follows, and detailed information based on them should be disclosed: (1) first, clarifying the highest achievable share value the special committee considers possible, taking into account various methods such as active market checks, adjusted net asset value method, or SOTP method, regardless of market price methods or the DEF method; (2) clarifying the methods and necessary actions to achieve the above price; and (3) only agreeing to negotiate a lower price if the action fails or looks set to fail.	- Regarding the opinion from the special committee, detailed information on the deliberations on the fairness of the terms of the transaction and the basis for the final decision is required to be included, also from the perspective of the process of deliberation and negotiation with the bidder regarding the terms of the transactions and the reasonableness of the share valuation details, the financial forecasts, and assumptions based on the valuation. - Regarding the process of consultation and negotiation, it is necessary to explain not only the progress but also the negotiation policy and any key points of discussion, and

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		if there are any changes in the initial policy, the reasons for such changes.
32.	・ We would like TSE to require that a special committee disclose and explain the basis for the share valuation so that we can confirm that the special committee has conducted sufficient deliberation from an independent perspective.	- These revisions have clarified the points that the special committee should consider when forming its opinion, and requested that specific details of the considerations, final judgments, and their rationale be included. - We have also given the share value calculation details and the rationale behind the financial forecasts and the assumptions used as the basis for the calculation as perspectives that should be considered. In particular, when financial forecasts include significant increases or decreases in profits or free cash flow (FCF), when financial forecasts differ significantly from those previously disclosed prior to the M&A, or when important assumptions are made regarding discount rates or terminal value, the reasonableness of such assumptions should be carefully examined and explained in detail.
33.	・ We welcome that the revisions require disclosure of the basis for opinions. Since share value calculation still relies heavily on the target company's own data, it is necessary to carefully consider the reasonableness of forecasts of future income flows and past asset value.	

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34.	・ Regarding the requirement for deliberation and decision on the reasonableness of the premium compared with past market prices and similar cases, we wish to confirm that TSE intends to require more careful deliberation and decision when the premium is lower than that of similar cases and does not intend to deny such transactions.	- As you mentioned, in cases where the premium rate falls below that of past similar cases used as comparison, we seek a more thorough deliberation and explanation of its appropriateness. This is not intended to uniformly deny the fairness of the terms of transactions in such cases.
35.	・ I feel a strong sense of unfairness in cases where downward revisions to performance forecasts are disclosed before an MBO or subsidiary conversion is conducted and the stock is then cashed out when the price declines, or in cases where the stock is cashed out while the price continues to decline after listing.	- Before these revisions, numerous comments were received from investors saying that there are cases where companies may be intentionally lowering the level of acquisition consideration by disclosing negative information such as downward revisions of performance forecasts prior to an acquisition. In light of this, when negative information is disclosed around the time of considering an acquisition, these revisions will require not only the simple comparison of the premium with past market prices and similar cases, but also deliberation and explanation on the fairness of the terms of the transaction by a special committee after
36.	・ In terms of deliberations of and explanation from a special committee when a company discloses negative information, it is insufficient to merely verify the reasonableness of the premium based on the disclosure of such negative information. Instead, the reasonableness of the negative information itself should be verified and the results disclosed to ensure fairness toward general shareholders in M&A transactions. In some cases, it is argued that the reasonableness of the premium is ensured by taking a cooling-off period when negative information is disclosed. However, downward revisions can be arbitrarily controlled by a company in terms of scale and timing, and may be used to manipulate stock prices. Furthermore, if the decline in stock prices is arbitrary, fairness cannot be ensured even if a cooling-off period is taken. Also,	

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	when an MBO is conducted immediately after the disclosure of such negative information, explanation is required of the reasonableness of the MBO's timing, but the suspicion of manipulation regards the negative information itself, not the timing of the MBO. In such cases, the reasonableness of the negative information should be thoroughly verified by referencing board meeting minutes and other relevant documents. The special committee is strongly required to verify and disclose the reasonableness of negative information itself that occurred around the transaction, thereby ensuring the fairness of the M&A transaction from the perspective of general shareholders.	confirming and taking into account the reasonableness of the negative information and the background and reasons for choosing to proceed with the acquisition at that time.
37.	・ Prior to the announcement of an MBO or subsidiary conversion, it is common in practice for a major shareholder other than the parties involved to be approached to enter into a takeover bid agreement. Such a major shareholder is in the best position to express opinions to benefit general shareholders, but there are cases where even if they request dialogue with the special committee because of issues with the terms of the transaction, this is rejected. The special committee's opinion should include not only the process of consultation and negotiation with the bidder but also the process of consultation and negotiation with institutional investors and major shareholders, in order to benefit general shareholders.	- Thank you very much for your valuable comments. - These revisions will not uniformly require the inclusion of the process of consultation and negotiation with major shareholders who are not party to the acquisition or related transactions. However, we will continue to consider the submitted comments, taking into account future trends in corporate acquisitions in the market and developments in practice.
	(d) Fairness Ensuring Measures	
38.	・ In cases of a company being taken private when there is a controlling	- Regarding the setting of majority-of-minority

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	shareholder, if a majority-of-minority condition is not established, other Fairness Ensuring Measures will not function. In this regard, "transaction stability" is often cited as a reason for not adopting a majority of minority condition, but we should not be protecting the stability of transactions that cannot be concluded due to opposition from minority shareholders. A majority-of-minority condition should be adopted as a general rule to protect minority shareholders.	conditions, while such conditions are highly effective in ensuring fairness, we also received many concerns: particularly when the bidder holds a high percentage of the target company's shares, it is possible to easily obstruct the acquisition by acquiring a small number of shares, thereby obstructing acquisitions that would contribute to enhancing corporate value. Therefore, these revisions will not make it mandatory. - On the other hand, investors have pointed out concerns that in cases of subsidiary conversions by a controlling shareholder, the necessity of setting majority-of-minority conditions is not appropriately considered under the current framework. To promote deliberation on whether a majority-of-minority condition should be set based on the nature of individual cases, these revisions will require that, if a majority of minority condition is not set, a special committee must provide explanation of the
39.	・ Please make it mandatory to set a majority-of-minority condition when an MBO or subsidiary conversion by an entity such as a controlling shareholder or other related company is decided. Specifically, in order to ensure the fairness of transaction terms, the requirement for takeover bids should be that a majority of general shareholders agree, and for share exchanges, mergers, or similar, that more than two-thirds of general shareholders agree.	
40.	・ For general shareholders, among the Fairness Ensuring Measures, the majority-of-minority condition in particular should be an essential requirement. We request that such a condition be specified as a mandatory procedural requirement rather than a requirement to "explain the reasons for not implementing it."	
41.	・ The majority-of-minority condition can be described as the only effective method to ensure the fairness of terms in transactions that take a company private when there is a controlling shareholder, so such a condition should be set. In these revisions, it appears that simply stating the reasons why it cannot be set may suffice.	

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42.	・ The majority-of-minority condition is the only way to directly check whether a majority of general shareholders are satisfied with the transaction terms and this cannot be replaced with any other Fairness Ensuring Measures. Therefore, it is regrettable that this condition is not mandatory. If it is not mandatory, at the very least, it should be clearly stated that "a majority-of-minority condition must be set as a general rule, and not setting one is an exception." In cases where it is not set, the reasons should be explained in concrete terms specific to the case, rather than using abstract statements such as "it may destabilize the takeover bid and fail to contribute to the interests of minority shareholders who wish to sell their shares," which are commonly seen in current practices.	reasons for such decision within its opinion and how it considers this from the perspective of ensuring fairness overall. - The content and extent of the explanation required when a majority-of-minority condition is not set will vary depending on the nature of individual cases. However, it is desirable to explain the reasons (including the effectiveness and disadvantages of setting a majority-of-minority condition, such as the stability of the transaction) and whether the existing procedures ensure fairness of the terms of the transaction as a whole, considering the individual circumstances of the case. Please note that there have already been some cases where the details like the above are explained. We will not require additional disclosure in such cases.
43.	・ In transactions such as MBOs and subsidiary conversions, there are cases where the reasons for not setting a majority-of-minority condition are explained from the perspective of transaction stability. However, if the Code of Corporate Conduct is revised, to what extent of detail would be required in the explanation of reasons for not implementing the Fairness Ensuring Measures outlined in the "Fair M&A Guidelines"?	
44.	・ With regard to the share valuation report, we request that the special committee obtain a share valuation report prepared by its own financial advisor in addition to the financial advisor to the board of directors of the target	- These revisions will not uniformly require the special committee to obtain a share valuation report from a financial advisor

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	company.	independently appointed by the special committee. Furthermore, we will not require that the special committee explain its reasons for not independently appointing an advisor in addition to the target company. - On the other hand, the special committee is required to deliberate the reasonableness of the detailed valuation report obtained from the advisor appointed by the target company, including the financial forecasts and assumptions underlying the valuation, and to assess the independence and expertise of the advisor from the perspective of ensuring the fairness of the procedures. The special committee is also required to explain the results of its deliberations and reasons for its decision. - We will continue to consider the submitted comments, taking into account future trends in corporate acquisitions in the market and developments in practice.
45.	・ Since fairness opinions are not mandatory, we hope that TSE will take further	- While obtaining fairness opinions can be

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	measures in the future.	effectively utilized as a Fairness Ensuring Measure, given the current situation in Japan, there are concerns that the legal effect of fairness opinions is not necessarily clear, as rules for the issuance process for fairness opinions have not yet been established. Therefore, these revisions will not uniformly make it mandatory. - However, the "expert advice from external advisors" mentioned as one part of ensuring the fairness of the procedures includes not only obtaining a valuation report from a third-party calculation agent, but also obtaining fairness opinions. - In addition, if a fairness opinion has been obtained, in order to enable investors to verify its effectiveness, sufficient explanation will be expected to be provided regarding its implementation status as a Fairness Ensuring Measure, taking into account the four points (i) to (iv) outlined in the Fair M&A Guidelines that you mentioned.
46.	・ We would like TSE to consider adding fairness opinions to the section on "Fairness of the Procedure" under "2. Expert advice from external advisors (such as legal advisors, third-party valuation advisors, etc.)" ・ Also, the Fair M&A Guidelines states "since the effectiveness of fairness opinions as a Fairness Ensuring Measure is based on the reliability of the third party valuation advisor issuing the opinion, fairness opinions should be positively evaluated as a Fairness Ensuring Measure if the third party valuation advisor issues a fairness opinion with elements that include: (i) independence and neutrality, (ii) a rigorous issuance process, (iii) advanced expertise and performance, and (iv) a positive reputation." However, since the practice of fairness opinions in Japan has yet to be established, we believe that disclosing how the above requirements (i) to (iv) are assessed when obtaining a fairness opinion will assist shareholders in making their own decision.	

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47.	・ TSE should strongly encourage companies to conduct active market checks.	- To make sure that adequate discussion is carried out as to whether to conduct active market checks based on the nature of the individual case, these revisions will request that if the target company does not conduct such checks, the special committee explain within its opinion the reasons for this and how it considers this from the perspective of overall fairness. - We will continue to consider the submitted comments, taking into account future trends in corporate acquisitions in the market and developments in practice.
48.	・ The board of directors should endeavor to secure the highest price by inviting additional bidders to participate in the process in order to "test" the market.	
49.	・ It is also important to ensure that general shareholders have sufficient time to make appropriate decisions.	- These revisions will not directly seek to secure time necessary for general shareholders to make investment decisions. However, if indirect market checks are implemented through these revisions, it will be expected that a certain amount of time for general shareholders to carefully consider the fairness of trading conditions and make appropriate decisions is provided.

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	(e) Disclosure of opinions	
50.	・ A special committee's written opinion may contain sensitive or unpublished information that is not appropriate for public disclosure. We are concerned that requiring the publication of the written opinion in full could hinder the enhancement of the content of the written opinion itself (as it may lead to withholding information that would otherwise be disclosed). Therefore, we request that the current practice of including a summary of the written opinion in a press release be maintained. If disclosure of the written opinion in full is required, consideration should be given to allowing measures to be taken to withhold disclosure of any sensitive or unpublished information contained therein. In the Fair M&A Guidelines, it is assumed that a special committee will obtain important information, including unpublished information, on behalf of general shareholders and conduct deliberations and make decisions based on such information, and we understand that a special committee is expected to perform its functions on the assumption that not all information deliberated by the special committee will be disclosed to general shareholders.	- Many investors have pointed out that they still have concerns about the effectiveness of special committees due to insufficient disclosure of the actual deliberations and explanations of the specific basis for the decisions in the summaries of special committees' opinions. - In light of this situation, this revision has clarified the points to be considered when obtaining opinions from special committees, required the description of the specific details of discussions and the basis for decisions, and made disclosure of the opinions themselves mandatory. - On the other hand, if the written opinion contains confidential business information, it is acceptable to withhold disclosure of the relevant parts to the extent deemed reasonable.
51.	・ A special committee's deliberations cover a wide range of topics and may include matters that are difficult to disclose externally, such as the trade secrets of listed companies. Our understanding is that you do not require the disclosure of matters that are difficult to disclose to the public. Is this correct? In addition, requiring the attachment of the report itself would require the disclosure of information that could damage corporate value and the common interests of shareholders, such as	

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	trade secrets, to external parties, which is not appropriate. Furthermore, we are concerned that practices may develop to avoid including such matters in the report in order to not disclose them, which would result in the report and, ultimately, the deliberations of the special committee becoming mere formalities. Under the current disclosure practices, it is required that the summaries of special committees' opinions be disclosed in great detail, and there have been no issues with the level of disclosure. The proposed rule revisions may hinder the development of practices related to the operation of special committees.	
52.	・ It is quite possible that a special committee's written opinion may contain information that is not necessarily appropriate for disclosure. In addition, the more complex the matter, the more complex and extensive the written opinion is likely to be, and attaching such a document to the timely disclosure materials, even if the purpose is to provide sufficient information to general shareholders, may actually hinder their understanding. Furthermore, if a special committee's written opinion is disclosed as an attachment to the timely disclosure materials, it cannot be denied that the members of the special committee may refrain from engaging in free and open discussions from the perspective of enhancing corporate value and protecting the interests of general shareholders due to concerns that their opinions will be disclosed as is. If discussions by the special committee are stifled, this may result in a lack of protection for general shareholders. In light of the above, it is not appropriate to require the disclosure of special committees' written opinions as attachments to timely disclosure	

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	materials.	
53.	・ The role of special committees is to consider and judge the pros and cons of M&A, the appropriateness of the terms of a transaction, and the fairness of procedures from the perspective of enhancing corporate value and promoting the interests of general shareholders, but they do not bear direct external accountability. External accountability is primarily borne by executive-level directors.	- Under the listing rules, the target company is required to provide direct explanations to general shareholders through the disclosure of its opinion on the takeover bid. However, with this revision, in order to enable investors to confirm the details of the special committee's opinion and determine the fairness of the transaction, the opinion of the special committee will also be attached to such disclosure. - In addition, many investors have stated their desire to engage in dialogue with outside directors, who play a vital role in examining the fairness of transactions as special committee members. Therefore, outside directors are expected to be accountable to the public, particularly in cases where accountability to general shareholders is considered to be high.
54.	・ For MBOs and subsidiary conversions, which have a risk of structural conflicts of interest, it is important that careful consideration be given to whether the	- Disclosure of minutes of special committee and board of directors meetings has not been

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	transaction is in the best interests of general shareholders, and the specific deliberations conducted by the board of directors (minutes and other documents) should be disclosed. In the case of MBOs in particular, the reason often given is business restructuring, but since there are various options available for this purpose, such as the sale of the business, merger, or replacement of management, we believe that the current management team, which is in a position to implement these options, needs to explain in greater detail the reasons for judging that the MBO is in the best interests of general shareholders compared to other options as well as the appropriateness of the acquisition price.	made mandatory in this revision due to practical concerns that they contain a significant amount of confidential business information, and that the disclosure of the discussion process itself would inhibit discussion or lead to a tendency to refrain from recording details in the minutes. - On the other hand, from the perspective of enhancing the effectiveness and transparency of deliberations by the special committee, we require that the final opinions of the special committee be accompanied by a clear statement of the points to be considered, along with specific details of deliberations and the basis for the final judgment regarding each point.
55.	・ When judging the fairness of the terms of the transaction, it is extremely important to know what deliberations were conducted by the special committee prior to them reaching a conclusion. In the case of MBOs or subsidiary conversions by an entity such as its controlling shareholder where there is a conflict of interest between parties such as the management team or the controlling shareholder and general shareholders, it is particularly important that the special committee functions effectively. Accordingly, the deliberation process of the special committee should be fully disclosed to general shareholders. For this reason, we believe that necessary measures must be taken to ensure that necessary and sufficient disclosure is made in this regard.	
56.	・ In order to determine whether the special committee functioned as a fairness safeguard, it is extremely important to know what discussions they held.	

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	Therefore, disclosure of the minutes of the special committee should be mandatory in addition to the report. ・ Furthermore, the minutes of the special committee should be reported in detail and verbatim so that the course of the discussions can be understood. The minutes should also include the comments made and discussions had by each director regarding the takeover bid.	
57.	・ We welcome the enhancement of the disclosure of information that is used as assumptions for share value calculation. However, rather than strengthening the partial disclosure of information, we request the disclosure of the price calculation documents obtained by the special committee or the company and materials that clarify the proceedings of the special committee (such as a chronological record of negotiations and summaries of minutes). It has become common practice in recent years that if a shareholder objects to the takeover bid amount, the court will order disclosure of these materials during the price determination claim process. However, disclosing information only to certain shareholders who have the financial resources and expertise to file a price determination claim cannot be considered fair market operation.	
	(f) Other	
58.	・ We expect each member of the board of directors to express and disclose their individual opinions on the special committee's opinions.	- This revision does not require the disclosure of the opinions of the target company's individual directors. - On the other hand, as indicated in the Fair

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		M&A Guidelines, if there are directors who oppose the board of directors' resolution to approve or reject the MBO, it is expected that sufficient disclosure will be made regarding who opposed and their grounds for opposition.
59.	・ During the evaluation of a tender offer notification by the Financial Services Agency and the Kanto Local Finance Bureau, even if negotiations with the bidder are ongoing, the submission of a tender offer notification draft that contains the details of the early stages of the report is required. If, in the course of exchanging tender offer notification drafts, the details of the special committee's "consultation and negotiation policy" and "major points of discussion" become known to the bidder during price negotiations, the special committee's negotiating power with the bidder will be weakened, which may result in disadvantages for general shareholders. Therefore, even if there is a requirement to include the above details in the report, we ask for the establishment of an appropriate framework in collaboration with the Financial Services Agency and the Kanto Local Finance Bureau to ensure that such details are not disclosed to the bidder during price negotiations.	- Thank you very much for your valuable comment. We will continue to thoroughly manage information related to tender offer notification and timely disclosure drafts in cooperation with the Financial Services Agency and Local Finance Bureaus.
	(4) Necessary and sufficient disclosure	
	(a) Expansion of assumptions used for share value calculation	
60.	・ The assumptions behind the financial forecasts and calculation method are	- Thank you for approving of this revision.

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	essential for general shareholders to judge the pros and cons of the terms of the transaction, so the proposed revision to expand the descriptions of such information are appropriate.	- We will follow up on matters such as the post-revision disclosure status and continue to review such matters to ensure that necessary and sufficient information is disclosed in order to enable general shareholders to determine the fairness of transactions.
61.	・ We strongly agree with the requirement for enhanced disclosure of the basis for share value calculation, but it is unclear whether the current revision will result in sufficient disclosure. For example, the practice of blindly setting the long-term growth rate to 0% needs to be reviewed immediately, and we will closely monitor how such practices change in the future.	
62.	・ For share value calculation, highly confidential information obtained through due diligence and information intentionally left undisclosed for business strategy reasons are also included in the valuation. Therefore, requesting the broad disclosure of information could discourage parties from actively disclosing information to each other with the intention of avoiding public disclosure, which could result in a decline in M&A transactions and other adverse effects.	- When determining the reasonableness of the share value calculation, details such as the financial forecasts and the assumptions used as the basis for the calculation are extremely important. - This revision does take into consideration the impact on business to a certain extent, in that it does not require listed companies to disclose detailed figures in the calculation of free cash flow in financial forecasts, such as the amount of capital investment, across the board. Instead, it requires listed companies to describe the assumptions behind the calculation, such as the business activities
63.	・ "Significant changes in free cash flow" has also been added, but in cases involving particularly large capital investments, disclosure could put the company at a competitive disadvantage. In such cases, non-disclosure should be permitted.	

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		and business environment. - Even if a significant change in free cash flow is expected during the forecast period and disclosure of the factors causing such change is required, detailed disclosure of individual capital investment projects is not required. However, in order to enable investors to confirm the reasonableness of the forecast, disclosure of an overview of such factors is required to the extent that it does not adversely affect the business.
64.	・ Based on confidentiality agreements with calculation agents, it is difficult to disclose the calculation details. Therefore, we request that the new rules leave room for discretion regarding the disclosure of such information, such as by making them just recommendations.	- This revision does not require listed companies to disclose the share value calculation report itself, but rather disclose the details and approach to calculating particularly significant financial forecasts and assumptions used in determining the reasonableness of the calculation. Therefore, you are requested to coordinate with the calculation agent regarding the content of confidentiality agreements and disclosure schedules for items requiring disclosure.
65.	・ From the perspective of the calculation agent, the calculation details are subject to change until the calculation report is finalized (immediately prior to publication), making it virtually impossible to reflect the details in disclosure documents such as press releases. Therefore, we request that the new rules leave room for discretion regarding the contents of disclosure, such as by making them just recommendations.	

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66.	・ It is extremely unreasonable that share value calculation reports prepared by target companies' and special committees' advisors will not be disclosed. Obtaining a share value calculation report is one of the Fairness Ensuring Measures, and it forms the basis for discussions by the board of directors and the special committee. Therefore, disclosure of the share valuation report should be required so that shareholders can verify the share value calculation based on financial forecasts and determine whether the special committee functioned effectively.	- Based on concerns raised by calculation agents, we do not require the disclosure of the share value calculation report itself. However, in order to enable general shareholders to determine the reasonableness of the calculation, we are expanding the disclosure of the details and approach to calculating important financial forecasts, assumptions, and other information. - We will continue to review the comments we have received, taking into account future trends in corporate acquisitions and developments in business practices.
	(b) Financial forecasts	
67.	・ As pointed out in the Fair M&A Guidelines, business plans vary in their optimism or conservatism depending on their purpose and format, as well as the entity preparing the financial forecasts. Therefore, we would like TSE to consider requesting broad disclosure of the following items: (1) the background to the formulation of the business plan (an overview of the internal review process, measures to prevent the controlling shareholder and executives of the acquirer side of the MBO from being involved in the formulation of the business plan, etc.);	- Currently, we require disclosure of the source of financial forecasts. However, based on the comments we have received, we will clarify that, in addition to the entity that prepared the financial forecasts, the background to the preparation of the financial forecasts (such as an overview of the process) and the purpose

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	(2) the purpose of preparing the business plan (business plans that are reviewed regularly, business plans formulated in consideration of M&A, etc.); and (3) details regarding the confirmation of the business plan's reasonableness (methods for reflecting the external environment in the business plan (reference to certain industry reports, retaining of external consultants for review, etc.), implementation/confirmation of budgetary variance analysis of business plans formulated in the past by the target company, etc.). ・ In the proposed revision, TSE only requires the disclosure of information for technical calculation and valuation purposes, such as the thinking behind the setting of the financial forecast period as well as the disclosure of terminal value and the assumptions used and thinking behind it. However, the thinking behind the valuation varies depending on the calculation agent, and it is questionable whether this will lead to ensuring the fairness of the terms of the transaction. By requesting broad disclosure of the background and purpose of the business plan and confirmation of its reasonableness as mentioned above, it should be possible to prevent the board of directors and special committees from formulating and approving overly optimistic or pessimistic business plans, thereby ensuring the fairness of the terms of the transaction. With regard to the disclosure of detailed assumptions behind value calculations, the opinions of all relevant parties, including the company, financial advisors, investors, and lawyers, should be thoroughly heard, and the necessity of revision should be considered after thorough discussion, including whether the content truly ensures the fairness of the terms of the transaction, the impact on business practices, and the balance	for which the financial forecasts were prepared must also be disclosed. - In addition, this revision clarifies the points to be considered in the special committees' opinions and requires special committees to examine the details of share value calculations and the reasonableness of financial forecasts and the assumptions on which they are based, and to include the specific details of the deliberations and the basis for the final judgment in their written opinions. - For this revision, TSE has conducted interviews with market stakeholders, including financial advisors and third-party calculation agents, and has deliberated the content of this revision through discussions at meetings with experts. The comments received will be used as a reference in the future.

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	between the burden and effectiveness.	
68.	・ Regarding the thinking behind the setting of the financial forecast period, there is criticism that growth investments during the forecast period will not be sufficiently reflected in sales/profit if the period is short. However, it is possible to make fair and reasonable calculations by reflecting the results of such growth investments in sales/profit for the terminal period. Focusing on the length of the period raises concerns that the validity of calculations based on short-term financial forecasts will be unreasonably questioned.	- The purpose of this revision is to require disclosure of the thinking behind the setting of the financial forecast period and is not intended to deny the validity of calculations based on short financial forecast periods. - As you have pointed out, if the results of growth investments are reflected in sales and profit from the financial forecast period onward, it would be advisable to disclose this as part of the thinking behind the setting of the forecast period and the approach to calculating the terminal value.
69.	・ "If using financial forecasts that differ significantly from those announced before the M&A, the reasons for this" being subject to disclosure may cause financial forecasts announced at normal times (such as in listed companies' medium-term management plans) to become overly conservative in anticipation of M&A, thereby possibly preventing fair valuations on the stock market or leading to the announcement of overly aggressive plans for the purpose of avoiding becoming a target for M&A.	- In the share value calculation, the content of financial forecasts has a significant impact on the calculation results. Given the conflict-of-interest structure in MBOs and subsidiary conversions, investors have expressed concerns about the deliberate lowering of financial forecasts. Therefore, this revision requires listed companies to disclose the reasons for using financial forecasts that
70.	・ If the "financial forecasts announced prior to M&A" were sales and profit presented as a vision with no specific plan and the feasibility of which was unclear,	

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	when using said sales and profit to calculate "realistic financial forecasts," the target company would have to explain to the public that it did not use its own financial forecasts because they were not feasible, even though the outcome of the takeover bid was unclear, which would hinder business operations and IR activities.	differ significantly from those previously announced. - The use of financial forecasts that differ from those previously announced is not inherently discouraged, but it is expected that the reasons for the differences will be thoroughly disclosed, taking into account the purpose of the financial forecasts.
71.	・ Regarding the expansion of disclosure related to financial forecasts in the overview of share value calculation, "significantly different" under "if using financial forecasts that differ significantly from those announced before the M&A" means that (1) the financial forecasts announced prior to the M&A and (2) the financial forecasts used as the basis for calculation are compared for each fiscal year, and the difference between (1) and (2) is at least 10% compared to (1) for net sales or at least 30% compared to (1) for operating income, EBITDA, and FCF for the fiscal year. Is our understanding correct? ・ In addition, regarding (1), if only the figures for the final fiscal year of the financial forecasts have been announced, is it sufficient to compare (1) and (2) only for the figures for the final fiscal year?	- Whether or not a case falls under "if using financial forecasts that differ significantly from those announced before the M&A" can be determined, for example, by making comparisons with the most recently announced financial forecasts in accordance with the criteria for determining the necessity of timely disclosure related to revisions to earnings forecasts, etc., and using as a guideline the existence of a change in net sales of at least 10% and a change in operating income, EBITDA, and FCF of at least 30%. However, even if the relevant level is not reached, if the information is considered
72.	・ Since there are scattered instances of qualitative and subjective expressions such as "if using financial forecasts that differ significantly from those announced before the M&A, the reasons for this," we request that thresholds and examples	

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	be specified as much as possible for each item requiring disclosure in order to avoid confusion in the practices of disclosure and advance consultation, so as to facilitate the judgment of listed companies, which are the entities responsible for disclosure.	important for investors to confirm the reasonableness of the financial forecasts based on the circumstances of individual cases, proactive disclosure is required.
	(c) Discount rate	
73.	・ Regarding the description of "small risk premium," since the idea is to consider risk premiums according to the size of the company without being limited to small companies, we request that this be revised to "size risk premium." In addition, since there are no established definitions for what is considered special or general in the calculation methodology, we request that the term "special" be deleted.	- Since the existence of additional risk premiums, such as size risk premiums, is important information for general shareholders to confirm the reasonableness of share value calculations, we have required the disclosure of the types and basis of such premiums in this revision. Based on the comments received, the terms "small risk premium" and "special" will be revised to make the expression "if there is consideration of additional risk premiums, such as size risk premiums, the details of and basis for these."
74.	・ We believe that the necessity and level of application of a "small risk premium" should be determined in the context of the calculation of the discount rate or the consistency of the overall valuation, so it is not appropriate to cite this individual issue as an example of a "special precondition." Furthermore, for valuation practices in Japan and many other countries, the application of small risk premiums is well established as a common practice, so citing this as an example of a "special precondition" is contrary to current practices and may cause misunderstanding.	
75.	・ Since there are scattered instances of qualitative and subjective expressions such as "if there are special preconditions such as consideration of a small risk premium, the details of and basis for these," we request that thresholds and examples be specified as much as possible for each item requiring disclosure in	

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	order to avoid confusion in the practices of disclosure and advance consultation, so as to facilitate the judgment of listed companies, which are the entities responsible for disclosure.	
	(d) Terminal value	
76.	・ It is possible to estimate terminal value by disclosing specific figures of the parameters used to calculate the terminal value, so there seems to be little need to state specific terminal value figures. Terminal value is relative and determined in conjunction with factors such as the financial forecast period, so partial disclosure of the terminal value is not only meaningless but also likely to cause confusion.	- Terminal value is an important element in share value calculation using the DCF method. Since parameters such as growth rates have a significant impact on the final calculation results, this revision requires listed companies to disclose, in addition to the specific figures of the parameters used previously for the calculation of terminal value, specific figures (range acceptable) of terminal value and the thinking behind the setting of each parameter as information necessary for general shareholders to determine the reasonableness of the calculation.
77.	・ Terminal value is calculated by a calculation agent that uses its professional expertise and a certain degree of discretion, so there may be discrepancies between the special committee's and target company's calculation agencies. Investors focusing solely on the discrepancies in the figures may cause unnecessary confusion.	
78.	・ (1) From the perspective of the reproducibility and verifiability of DCF method calculation results by general shareholders, it is sufficient to disclose specific figures of parameters under the current rules and (2) even in the case of the GOP in the United States, although specific figures such as WACC and perpetual growth rate are disclosed, the rationale for setting the parameters is not disclosed, and there are differences in the rationale for setting the parameters among the respective calculation agencies, so it is not possible to determine whether they	

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	are correct or incorrect. We therefore request that, in calculating terminal value, only specific figures of parameters be disclosed, as is the current rule, and that disclosure of the thinking behind the setting of said parameters not be required.	
79.	・ "If there are special preconditions such as adjustments to disregard one-off expenses in the final business year, the details" cannot be classified as a standard calculation methodology or "special" precondition as the calculation agent has adopted calculation methodologies appropriate for each individual target company.	- We intend for the relevant items to be disclosed when there are assumptions that have a significant impact on the calculation of terminal value. - For example, if adjustments are made to disregard one-off expenses in the final business year in the calculation of terminal value, it is considered appropriate to disclose this fact, but it is not our intention to require disclosure of adjustments that are not significant. Please note that the determination of importance should be made on a case-by-case basis, and no uniform quantitative standards will be established. - As per the comments received, the term "special" will be revised.
80.	・ Adjustments to disregard one-off expenses in the final business year for the calculation of terminal value are a normal method in the calculation of terminal value, which should assume a steady state, so the term "special" should be deleted.	
81.	・ Regarding adjustments to disregard one-off expenses in the final business year in the calculation of terminal value, I presume that TSE is not intending to require disclosure of matters that do not have a significant impact, so we request the addition of the phrase "only applies if material to the calculation."	
82.	・ Since there are scattered instances of qualitative and subjective expressions such as "if there are special preconditions such as adjustments to disregard one-off expenses in the final business year, the details," we request that thresholds and examples be specified as much as possible for each item requiring disclosure in order to avoid confusion in the practices of disclosure and advance consultation, so as to facilitate the judgment of listed companies, which are the entities	

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	responsible for disclosure.	
	(e) Non-business assets	
83.	・ We strongly agree with TSE's requirement for enhanced disclosure of real estate values and financial assets. ・ The value of real estate such as leases should be calculated by adding back the fair value. ・ With regard to financial assets, when separating business assets and non-business assets, there seem to be many cases where share value is calculated at a low level by intentionally reducing non-business assets. When recognizing amounts exceeding 2-3% of cash on hand as non-business assets, changes in the balance of cash and deposits as well as average balance should be analyzed. ・ In Japan, for M&As of unlisted companies by companies that place significant importance on real estate, the net asset approach (adjusted net asset method or SOTP method) is sometimes used to reflect the market value of real estate in the valuation. However, in the practice of share value calculation related to takeover bids, there are cases where the net asset approach is intentionally excluded, and the value is calculated at a PBR lower than 1. ・ We expect further efforts regarding discounts on net assets and net asset value.	- While the Fair M&A Guidelines state that "it is advisable to provide an explanation with respect to the approach" used for the valuation method of individual assets, there is no explicit requirement to do so. As a result, there are very few cases in which detailed disclosure has been made in this regard, so this is a point that is easy to be contested by investors. - In light of this situation, we require disclosure of the calculation methodology when it is material to the calculation of real estate such as leases, strategic shareholdings, and surplus funds, which are particularly problematic in practice. - Since it is appropriate to determine whether a case falls under "material to the calculation" on a case-by-case basis, we have not established uniform quantitative criteria. However, for example, if the ratio of real
84.	・ Since there are scattered instances of qualitative and subjective expressions such as "treatment of individual assets (real estate such as leases, strategic shareholdings, surplus funds, etc.) in the calculation (thinking behind the categorization of business and non-business assets, etc.) (only applies if material	

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	to the calculation)," we request that thresholds and examples be specified as much as possible for each item requiring disclosure in order to avoid confusion in the practices of disclosure and advance consultation, so as to facilitate the judgment of listed companies, which are the entities responsible for disclosure.	estate such as leases, securities held, etc. to total assets is high, if there are significant unrealized gains, or if cash and deposits are high compared to the general level in the sector or industry to which the company belongs, and if the treatment of these items as business assets or non-business assets has a significant impact on the calculation results, disclosure of the treatment should be considered.
85.	・ For calculation purposes, the distinction between business and non-business assets may vary depending on the calculation agent and the information used as the basis for the calculation. Not only is it difficult to classify them uniformly, but it may also cause misunderstanding among investors from the perspective of information disclosure.	- This revision does not require listed companies to make detailed disclosures of whether individual assets are classified as business assets or non-business assets, but rather requires them to disclose the basic calculation approach for distinguishing between business and non-business assets related to real estate such as leases, securities held, cash and deposits, etc. - For example, for real estate such as leases and securities held, it would be advisable to disclose the criteria used to determine
86.	・ Non-business assets and liabilities for calculation purposes may differ from what investors generally imagine as non-business assets and liabilities, so the disclosure of these details may result in inconsistencies with information disclosed by the target company regarding dividends and strategic shareholdings, which may not only lead to excessive restraint in M&A transactions but also cause misunderstanding among investors from the perspective of information disclosure.	

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		whether they are classified as non-business assets or business assets (e.g., marketability). - For cash and deposits, it would be advisable to disclose how the amount of funds necessary for business operations was set.
	(5) Other	
87.	・ A PBR lower than 1 indicates that the value of capital entrusted by shareholders has been impaired, which signifies management failure. Despite strong requests by TSE for management that is conscious of cost of capital and stock price, many listed companies continue to allow their PBR to stay below 1. It is extremely unfair for management to allow the stock price to remain undervalued and then acquire the company at that undervalued price through an MBO. From the perspective of protecting general shareholders, this practice is unacceptable. Therefore, in principle, management should be prohibited from conducting MBOs at a PBR lower than 1 by listing rules.	- Net assets per share is not a direct indicator for judging the fairness of the acquisition price, and there are cases where MBOs are conducted for the purpose of fundamental business restructuring amid deteriorating business performance. Therefore, no across-the-board regulations will be imposed in this revision. - On the other hand, as requested in the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced in March 2023, we will continue to encourage companies to analyze and evaluate their current situations and to continuously implement improvement measures while remaining conscious of
88.	・ One factor contributing to a PBR falling below 1 is that companies often retain funds that exceed necessary working capital and fail to return profits to shareholders. Such surplus funds are capital that should belong to shareholders, so it is unfair for management to acquire them at a discount through an MBO. If a company intends to make new investments after going private, it should raise the necessary funds through new debt or other means after going private, rather than using capital raised from shareholders at the time of listing. Therefore, listing rules	

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	should prohibit MBOs when a company has surplus funds that exceed necessary working capital and require that such surplus funds be returned to shareholders in full prior to the MBO.	market valuations such as PBR in normal times.
89.	・ For takeover bids below a PBR of 1, we request that the rationale for the board of directors of the target company deeming such price to be appropriate be clearly disclosed and that the special committee be required to deliberate and evaluate the appropriateness of that rationale.	
90.	・ The board of directors should discuss corporate value on a regular basis. It is not sufficient to simply settle for the approach of "X% premium on the stock price" without engaging in a fundamental discussion of corporate value.	
91.	・ The Guidelines for Disclosure of a Tender Offer also assume that the board of directors may support a tender offer but not recommend it. However, the board of directors should not support a tender offer at a price that it cannot recommend in the first place.	- This revision requires the special committee to obtain an opinion on not only whether the transaction is "not disadvantageous" but "fair to general shareholders" from the perspective of whether it is a transaction in which the increase in corporate value will be fairly distributed to general shareholders. - This does not restrict the target company from expressing its opinion that it does not recommend tendering shares in the takeover bid while supporting it. However, in such cases, we believe that it will be

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		necessary to provide a more detailed explanation than usual regarding the relationship between the special committee's opinion that the transaction is fair and the target company's opinion that it does not recommend tendering shares in the takeover bid.
92.	・ Squeeze-outs should be prohibited as the value of shares may be impaired significantly by an MBO of a listed company.	- With regard to squeeze-outs such as those due to MBOs, we do not impose across-the-board restrictions as they offer benefits such as enabling fundamental business restructuring through the concentration of control. - On the other hand, there are concerns that the interests of general shareholders may be damaged in MBOs due to the risk of structural conflicts of interest. Therefore, we will continue to consider and implement necessary measures, taking into account future trends in corporate acquisitions and developments in business practices.
93.	・ We believe that it may be necessary to establish an institution that supervises	- Thank you very much for your valuable

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	M&A transactions in real time, such as the U.K.'s Takeover Panel, or for TSE to intervene in M&A transactions as necessary. Even if issues with the fairness of a transaction are discovered, it is difficult to prove damages and take measures for compensation after the fact. Therefore, having a supervisory body intervene with the parties concerned in real time and promptly encourage corrective measures will help ensure fairness. From the perspective of IRR, the majority of investors would not be able to justify filing a lawsuit after the fact and spending several years disputing fairness. Only a small number of investors who have M&A transactions as part of their investment philosophy would be able to justify spending several years disputing fairness, so this situation encourages companies to take advantage of the system. MBOs and subsidiary conversions by an entity such as the controlling shareholder involve structural conflicts of interest and information asymmetry, and therefore require strong oversight.	comments. - We will continue to consider necessary measures in cooperation with related parties, taking into account future trends in corporate acquisitions and developments in business practices.
94.	・ The Tokyo Stock Exchange and the Financial Services Agency should not allow the current unregulated share value calculation to continue and should clarify the rules for share value calculation. In particular, share value calculation reports are not disclosed in any way, and since they are not reviewed by the Tokyo Stock Exchange or the Financial Services Agency, it is impossible to say whether they are accurate and fair.	
	2. Development of IR Systems	
95.	・ In order to ensure market transparency and fairness, it is important for listed companies to provide appropriate information to shareholders and investors, so	- Thank you for approving of this revision.

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	it is only natural that listed companies be required to establish systems for this purpose. Therefore, we agree that the establishment of IR systems should be stipulated in "Matters to Be Observed" in the Corporate Code of Conduct. ・ Since IR activities that companies should implement vary depending on their size and shareholder composition, we believe that it is appropriate not to establish uniform rules for IR systems, but rather to require companies to determine the specific details that they deem appropriate for IR systems and to disclose an overview of those systems and the status of IR implementation in their corporate governance reports.	
96.	・ We believe that the reason for not establishing uniform rules regarding the systems to be developed in this revision is because the IR systems required for listed companies vary. However, in the absence of uniform rules, listed companies may regard these obligations as essentially optional targets, meaning that they do not develop effective IR systems. In order to enable investors and listed companies to engage in more specific and constructive discussions on further strengthening IR systems, one option could be to set a standard such as "as a general rule, multiple full-time IR personnel shall be appointed."	- We believe that it is important for listed companies to consider the specific IR systems they should develop based on their size, shareholder composition, and other factors. Therefore, we have not required listed companies to establish a dedicated department or appoint full-time IR personnel in this revision. - However, from the perspective of encouraging listed companies to conduct substantive reviews and develop systems, we require listed companies to disclose their IR systems in their corporate governance

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		reports. - In addition, in response to requests from investors regarding the establishment of dedicated IR departments, TSE will continue to encourage listed companies to consider this issue from the perspective of investors.
97.	・ Corporate governance reports should not simply include the prescribed items but should specifically describe an overview of the IR policy and IR activities based on the size of the company and the composition of its shareholders.	- Thank you very much for your valuable comments. - This revision does not require listed companies to implement specific IR activities, but, as you have pointed out, many domestic and overseas institutional investors have requested that listed companies go beyond developing the minimum IR system and enhance and disclose their specific IR activities. - In light of these circumstances, TSE plans to compile and share investors' views with listed companies to encourage them to actively engage in IR activities from the perspective of investors. - In addition, we currently require listed
98.	・ The board of directors should be required to discuss and approve an overview of IR policies and IR activities. In addition, all directors, including outside directors, should be required to participate proactively in IR activities and engage in direct dialogue with shareholders. Outside directors, in particular, should be required to be actively involved in IR in general as representatives of the common interests shared by all shareholders, including minority shareholders. Furthermore, it should be required that the above be disclosed in the corporate governance report.	
99.	・ We are pleased to see the rules clearly state that listed companies have a responsibility to develop IR systems, but simply establishing a department for this purpose is not sufficient. In order to ensure more substantial results, companies should disclose in their corporate governance reports whether they hold meetings with institutional investors attended by senior management and outside	

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	executives, their responses to requests for such meetings, and, if they do not hold such meetings, the reasons for not doing so.	companies to disclose information on their IR activities, including the holding of IR briefings, in their corporate governance reports. Furthermore, based on "Better Dialogue with Shareholders and Related Disclosure" (published on March 31, 2023), we request Prime Market listed companies to disclose information on individual meetings with shareholders. - Based on the comments we have received, we will continue to follow up on the status of IR activities at listed companies and work to advance the enhancement of IR initiatives and disclosure.
100.	・ There are some companies, particularly listed companies with controlling shareholders or quasi-controlling shareholders, where the president does not engage in dialogue with investors and has never done so in the past. At the very least, companies listed on the Prime Market should make opportunities for senior management, such as the president, to engage in dialogue with investors outside of earnings briefings, such as through small-group meetings and one-on-one meetings.	
101.	・ With the popularization of Zoom and other online meeting platforms, the cost of holding online earnings briefings has fallen dramatically, making it possible to hold meetings at a lower cost than in-person meetings. In addition, even hybrid meetings require little additional cost. Some companies, particularly listed companies with controlling shareholders or quasi-controlling shareholders, only hold earnings briefings in person and do not maintain sufficient contact with investors. At the very least, companies listed on the Prime Market should provide investors with opportunities to participate in online earnings briefings.	
102.	・ In recent years, email addresses have become an essential tool for contacting listed companies. Therefore, we strongly request that companies set and disclose the contact information of the department in charge of IR (dedicated IR email address and telephone number).	- Based on the comments we have received, we will clearly state in the supplementary explanation sections related to the "establishment of a department and/or placement of a manager in charge of IR" and
103.	・ We agree with the requirement to include explanations regarding IR in corporate	

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	governance reports. For investors who wish to engage in constructive dialogue with companies, it is extremely useful to obtain the names and contact details of IR team members and, if the company has offices in multiple markets, their locations. It is important to clearly indicate the website for IR materials in the report, which is in line with good global practice. It is equally important for companies to provide investors with details of future shareholder events, including dates, times, and how to participate.	"IR information" of the "Preparation Guidelines for Corporate Governance Reports" that it is desirable to include information such as the contact information of the department in charge of IR and the location where IR materials are posted.
104.	・ Small companies may need some time to develop IR systems. Are you planning to set a grace period for them to do so?	- This revision does not require companies to establish departments in charge of IR or appoint dedicated personnel across the board. Rather, we request that companies consider and develop the necessary systems based on their size, shareholder composition, and other factors. Therefore, we do not anticipate granting a grace period for companies to conform with this revision.
105.	・ If a company fails to fulfill its obligation to develop an IR system, we request that it be designated as a Security on Special Alert and that, if no improvement is observed, delisting procedures be undertaken pursuant to the Securities Listing Regulations.	- Necessary IR systems should be reviewed and developed based on factors such as company size and shareholder composition. However, if a listed company does not develop an IR system at all, enforcement measures such as public announcement measures may be

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		taken to ensure effectiveness. We do not intend to designate all companies as Securities on Special Alert in the manner that you have indicated.
106.	・ In meetings with institutional investors, there have been cases where participants attempted to elicit information that was undisclosed for business or competitive reasons. This could be extremely dangerous from perspectives including insider trading and disadvantages for individual investors. Dialogue with investors should focus on supplementing information that is currently disclosed but difficult to understand and suggesting information that should be disclosed in the future. When presenting obligations or requests to listed companies, we request that TSE listen to the opinions of listed companies and disclose rules and morals for institutional investors as well as matters that should not be asked during dialogue and undesirable examples.	- The Financial Services Agency (FSA) is currently promoting initiatives to enhance the effectiveness of investor stewardship activities. In its interviews with companies, the FSA has pointed out cases where investors attempted to elicit information that cannot be disclosed, as you have pointed out, as examples of cases that did not develop into constructive dialogue from companies' perspectives. - Going forward, the FSA plans to establish opportunities for discussions between companies and investors and continue to collect and share examples of initiatives in order to improve the quality of stewardship activities and enhance information disclosure that is aligned with investors' perspectives, with the aim of further promoting

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		constructive dialogue. TSE will cooperate with these efforts.

Submissions by: 1, 13, 38, 57 are from Kaname Capital; 2, 12, 22, 29, 32, 40, 44, 49, 54, 97, 98, 102, 104 are from Japan Stewardship Forum; 3, 4, 5, 20, 25, 55, 60, 95 are from Japan Corporate Governance Network; 6, 14, 24, 26, 50 are from TOB Team volunteers from Nagashima Ohno & Tsunematsu; 7, 28, 62, 67, 78, 96 are from Mizuho Securities Co., Ltd.; 8, 63, 64, 65, 68, 69, 70, 76, 77, 79, 85, 86 are from SMBC Nikko Securities Inc.; 10, 15, 17, 51 are from volunteer lawyers at Mori Hamada & Matsumoto; 11, 58, 99 are from Invesco Asset Management (Japan) Limited; 16, 18, 27, 52 are from Nishimura & Asahi (Gaikokuho Kyodo Jigyo); 21, 39 are from Strategic Capital, Inc.; 23, 33, 48, 90 are from Zennor Asset Management; 30, 71 are from TMI Associates; 31, 41, 45, 47, 56, 61, 66, 83, 91, 94 are from Oasis Management; 34, 46, 53, 72, 75, 82, 84 are from Plutus Consulting Co., Ltd.; 36, 93, 100, 101 are from FIL Investments (Japan) Limited; 73, 80, 81 are from Daiwa Securities Co. Ltd.; 74 is from EY Strategy and Consulting Co., Ltd.; 87, 88 are from LR inc.; 89, 105 are from Nanahoshi Management Ltd.; 103 is from T. Rowe Price. All other comments are from individuals.