

Revisions to the Listing Rules Regarding Minority Shareholder Protection

(Explanatory Materials for Listed Companies)

Tokyo Stock Exchange, Inc.

March 27, 2026



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- ◆ Tokyo Stock Exchange, Inc. (TSE) will now require companies with a quasi-controlling shareholder to **disclose information such as the company's response to minority shareholder approval rates for resolutions for director appointments and opposing votes by minority shareholders.**
- ◆ For companies with a quasi-controlling shareholder, said shareholder may effectively have the authority to appoint directors. However, even if resolutions are adopted by majority vote, **listed companies must ensure that their management considers not only the quasi-controlling shareholder, but also the interests of minority shareholders.**
- ◆ The general shareholders' meeting is an important setting for minority shareholders to express their views. If concerns are raised by minority shareholders through a large number of opposing votes, companies are expected to **engage in dialogue with the minority shareholders and consider whether it is necessary to introduce additional measures based on the feedback received.**

Companies Required to Disclose This Information

- Listed companies (across all market segments) that fall under the following as of the record date of the general shareholders' meeting are required to disclose this information.

- Those with a **parent company***
- Those with **other associated companies**** that hold **40% or more of the voting rights**
- Those with a **major shareholder that jointly holds 40% or more of the voting rights with the following parties*****
 - ✓ Close relatives of said major shareholder (**meaning relatives within the second degree of kinship**; the same applies hereinafter)
 - ✓ A company, **such as a management company**, through which said major shareholder and their close relatives jointly hold a **majority of voting rights**

* Meaning “parent company” as defined in Article 8, Paragraph 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements.

** Meaning “other associated companies” as defined in Article 8, Paragraph 8 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements. Please see Japan’s accounting standards for how to calculate “40% or more of voting rights” (specifically for the percentage of voting rights held, which determines whether companies are considered affiliated companies).

*** Totaled as for controlling shareholders in the listing rules. For controlling shareholders, it applies to a majority of voting rights, but for this disclosure of information, please check if it is 40% or more.

Points Needing Response

It may sometimes be appropriate for companies to take action voluntarily, even if they do not fall under the criteria above **if a shareholder is considered to effectively hold 40% or more of voting rights. Consider whether it is appropriate to take action based on your company’s relationship with shareholders and dialogue with investors, and taking into account your company’s individual circumstances.**

- ✓ Where a company has no parent company or other associated companies with voting rights of 40% or more, but whose voting rights total 40% or more when combined with voting rights of group companies of which the company is deemed to be effectively in control.
- ✓ Where a company has no major shareholder, but has a shareholder with voting rights of 40% or more when including voting rights of relatives within the second degree of kinship and asset management companies.

- Hold dialogue with minority shareholders based on their approval rates for resolutions for director appointments (limited to those proposed by the company), introduce additional measures following that dialogue, and disclose relevant information.
 - For details of information to disclose, please see pages 6 and 7.

Companies required to disclose (See page 4)

Analyze minority shareholder approval rates, etc.

- Analyze minority shareholder approval rates for resolutions for director appointments (limited to those proposed by the company)
 - ⇒ **Disclose immediately after the general shareholders' meeting** (See page 6)

Companies with more than 50% of minority shareholders opposing a resolution

Engage in dialogue with minority shareholders

- Engage in dialogue with minority shareholders to understand causes and reasons for opposing votes

Discuss and implement measures

- At board of directors' meetings, discuss the necessity of additional measures and policies for them, based on feedback received from dialogue with minority shareholders, and then implement measures
 - ⇒ **Disclose no later than six months after the general shareholders' meeting** (See page 7)

- Relevant companies are required to disclose the following information immediately after the general shareholders' meeting.

- **The number and ratio of votes for, against, and abstained by minority shareholders for each resolution for director appointment (limited to those proposed by the company)**
- **Shareholders excluded from the category of minority shareholder**

Note: Please clearly specify which shareholders have been excluded, including the parent company, other associated companies, and major shareholders (including shareholders jointly considered major shareholders) listed on page 4

If the company has found that there was a resolution that more than 50% of its minority shareholders opposed, the following matters shall also be disclosed

- **What measures the board of directors will take to understand the reasons and causes for minority shareholders' opposing votes** (such as policies on engaging with shareholders)

Points Needing Response

It may sometimes be appropriate for companies to disclose information voluntarily even if opposing votes do not exceed 50%, for example, when a **major institutional investor** (such as an institutional investor complying with the stewardship code) **has a majority of opposing votes. Consider whether it is appropriate to take action based on your company's individual circumstances and dialogue with investors.**

- Regarding the contents of disclosure on page 6, if you have disclosed information that **there was a resolution that more than 50% of minority shareholders opposed**, you are required to provide updates on progress no later than six months after the general shareholders' meeting, providing the information below.

- **What measures the board of directors have taken to understand reasons and causes for minority shareholders' opposing votes** (such as dialogue with shareholders)
- **A summary of feedback received from shareholders**
- **Whether the board of directors will implement additional measures (and if not, the reasons for not doing so), the policy for such measures (details of the initiative, timing of implementation, etc.), and the status of their implementation**

Points Needing Response

In recent years, **there have been a number of instances where resolutions** for representative director appointments have **received a majority of opposing votes**, not only due to concerns over independence and the effectiveness of governance structures, but also from the perspective of **enhancing corporate value and capital efficiency**.

Boards of directors are expected to take into account feedback from shareholders to reconsider and disclose information on **how they are promoting management that is conscious of cost of capital and stock price and whether their current management structure and shareholder composition is optimal from the perspective of enhancing their own corporate value**.

What is expected of outside directors

- ✓ Where investors express concerns regarding the effectiveness of the board of directors or the protection of minority shareholders, the role of outside directors—**who oversee management and represent the interests of ordinary shareholders**—becomes particularly important.
- ✓ Outside directors are also expected to **engage in dialogue themselves with minority shareholders** as necessary, whilst ensuring that the **board of directors conducts appropriate analysis and discussion based on feedback from investors**.

Where to disclose information

- ✓ We intend to have companies disclose this information on TDnet, **as part of the timely disclosure information required for listed companies**. (We will inform you of the format for disclosing information along with the revised rules in summer 2026.)

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- TSE will revise its rules on independent directors/auditors as below.

Expansion of Independence Criteria (Persons Deemed to Lack Independence)

- Criteria will be revised so that if any of the following apply, persons will be deemed not to meet the criteria for independent director/auditor.

- **A major shareholder of the listed company, or their close relatives**
- **A person who is, or has recently been, an executive at a major shareholder of the listed company, or their close relatives**
- **A person who is, or has recently been, an executive of a company of which the listed company is a major shareholder, or their close relatives**

Notes:

1. A "major shareholder" is as defined in Article 163, Paragraph 1 of the Financial Instruments and Exchange Act.
2. "Recently" generally refers to within the past year.
3. "Close relatives" means relatives within the second degree of kinship.

- **An outside director who has served as an auditor at the parent company of the listed company within the past ten years, or their close relatives**
- **An outside director/outside company auditor who has served as an accounting advisor at the parent company of the listed company within the past ten years, or their close relatives**

Note: This is to ensure the approach is consistent for other related parties at parent companies, taking into account concerns regarding conflicts of interests with minority shareholders (under the current rules outside company auditors who have served as auditors for the parent company of a listed company in the last ten years do not meet the requirements for independent director/auditor either).

Points to Note

- Even if a shareholder is not considered a major shareholder, they may still exert greater influence than ordinary shareholders and therefore **may not meet the requirements for independent director**. This includes **shareholders who have entered into a contract (including a verbal agreement) regarding nominating candidates for directors of a listed company, and shareholders, or their executives, who are effectively assigning directors to a listed company on an ongoing basis.**
- The listed company must make a decision based on the actual situation, and **if such persons are appointed as independent director, please provide a full explanation of their relationship with the company and the reasons for determining that they are independent.**

Expansion of Attribute Information to be Disclosed

- For independent directors/auditors that fall under the following, TSE will require their actual status and a summary thereof to be disclosed in such documents as the Independent Directors/Auditors Notification Form.

- **A person who is, or has within the past ten years been, an executive of a company that holds shares of the listed company as cross-shareholdings**
- **A persons who is, or has within the past ten years been, an executive of a company in which the listed company holds shares as cross-shareholdings**

Note: It is sufficient for the listed company to disclose information ascertained as the result of checks carried out to a reasonable extent (for example, checking names of securities in the Shareholding section of Annual Securities Reports).

Information to be Included in the Summary

- Information required includes the name of the company in which cross-shareholdings are held, a summary of the cross-shareholding relationship (including the number of shares held and the purpose of holding), the period and number of years the person served as an executive, the position held at that time and, if the relationship continues after the person leaves the post, a summary of any ongoing relationship.

Other Revisions

- For independent directors/auditors such as those who are non-key clients of listed companies, or who are executives of companies making donations to listed companies, TSE will require companies to **provide more specific details on their actual status, so that investors can appropriately make a judgement on their independence.**
 - For example, rather than making abstract statements like, “sales were negligible,” **companies will be required to disclose information such as, “sales were less than JPY xxx” or “less than xxx% of total sales,” so that investors can clarify the scale of the business relationship.**

(There is no need to disclose detailed figures. It is enough to indicate that the amount or proportion is below a certain threshold that ensures independence.)

Ref.: Diagram of Proposed Revisions

	Executive at the Listed Company or Subsidiary	Executive at the Parent Company or Sister Company	<u>Executive at a Major Shareholder or Executive at a Company of Which the Listed Company Is a Major Shareholder</u>	Executive at a Key Business Partner or an Entity (e.g. Consulting Firm) From Which the Listed Company Receives a Substantial Amount of Money	Executive at a Non-Key Business Partner, at a Company With Which the Listed Company Has Cross-Appointments, or to Which the Listed Company Has Made Donations	<u>Executive at a Company Which Holds Shares of the Listed Company as Cross-Shareholdings or in Which the Listed Company Holds Shares as Cross-Holdings</u>	Other
Current	×	×	<u>Add to "Not Independent"</u>		Disclosure Required	<u>Add to "Disclosure Required"</u>	
Past (Recent)	×						
Past (Within the Past 10 Years)	×	Not Independent					
Past (More Than 10 Years Ago)							Disclosure Not Required

×: The Companies Act deems such persons to lack outsidership.

Red boxes: TSE's independence criteria deem such persons to lack independence.

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

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Date	Schedule
March 27, 2026 (today)	<ul style="list-style-type: none">• Publish summary of specifications
March 27 – April 26	<ul style="list-style-type: none">• Public comments
Around June	<ul style="list-style-type: none">• Publish revised rules
December 2026 -	<ul style="list-style-type: none">• Apply revisions starting from the annual general shareholders meeting for the fiscal year ending December 2026 or later (planned)