Revisions to the Listing Rules Regarding Minority Shareholder Protection

(Explanatory Materials for Listed Companies)

Tokyo Stock Exchange, Inc.

March 27, 2026
(Updated on July 3, 2026)

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Why Companies Will Be Required to Disclose This Information

- 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

JPX

- Listed companies (across all market segments) that, as of the record date of the AGM, have a major shareholder falling under any of the following that holds 40% or more of the voting rights are required to disclose this information.

> - **A parent company***
> - **An other associated company** that holds 40% or more of the voting rights**
> - **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 an asset management company**, in 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 an "other associated company" as defined in Article 8, Paragraph 8 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements. Please calculate the percentage of voting rights held including indirect holdings (i.e. holdings of entities whose holdings are aggregated under accounting standards in determining whether companies are considered affiliated companies).

*** Aggregated in the same way as for controlling shareholders in the listing rules. Controlling shareholders are those with a majority of voting rights, but for this disclosure of information, please check if the aggregated holding 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 a shareholder that is not a parent company or other associated company 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 said shareholder 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 close relatives of and asset management companies controlled by said shareholder.
- ✓ Where an asset management company is a major shareholder, and its voting rights, together with the voting rights held by the person who holds a majority of the voting rights in said asset management company and said person's close relatives, amount to 40% or more.

Responses Required

- 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 without delay after the AGM** (See page 6)

Companies with an appointment proposal that failed to gain more than 50% approval from minority shareholders

Engage in dialogue with minority shareholders

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

* **With a view to reflecting feedback received from minority shareholders in proposals for future AGMs, companies are expected to engage in dialogue in a timely manner.**

Discuss and implement measures

- At board of directors' meetings, discuss the necessity of additional measures and details of those to be taken based on feedback received from dialogue with minority shareholders, and then implement these

⇒ **Disclose no later than six months after the AGM** (See page 7)

(1) Disclosure of Minority Shareholder Approval Rates, etc. (Without Delay After AGM)

- Companies to which the rules apply are required to disclose the following information without delay after the AGM.

- **The number of votes for and against and the number of abstentions by minority shareholders, as well as the approval rate, for each proposal for director appointment (limited to those proposed by the company)**
- **An outline of major shareholders, etc. holding 40% or more of the voting rights, who are excluded from the category of minority shareholder (including the parent company, other associated companies, and major shareholders (including those jointly considered major shareholders) listed on page 4)**

  Note: If there are any shareholders whose holdings have been voluntarily aggregated in light of Points Needing Response on page 4, please also provide an overview of such shareholders.

If there was an appointment proposal that failed to gain more than 50% approval from minority shareholders, the following matters shall also be disclosed.

- **Measures planned to be taken by the board of directors to understand the reasons for minority shareholder opposition** (such as policies on engaging with shareholders)

Points Needing Response

It may sometimes be appropriate for companies to disclose information voluntarily even if the approval rate exceeds 50%, for example, when **the approval rate from major institutional investors** (such as institutional investors complying with the Stewardship Code) **fails to exceed 50%. Consider whether it is appropriate to take action based on your company's individual circumstances and dialogue with investors.**

(2) Progress of Measures (No Later Than Six Months After AGM)

- Regarding the contents of disclosure on page 6, if you have disclosed that **there was a proposal that failed to gain more than 50% approval from minority shareholders,** you are required to provide updates on progress no later than six months after the AGM, providing the information below.

- **The status of measures implemented to understand the reasons for minority shareholder opposition**

* Regarding the status of dialogue with shareholders, information such as an overview of the shareholders with whom dialogue was conducted, the timing, and the persons involved.

- **A summary of reasons for opposition received from minority shareholders** (such as key issues raised and suggested improvements)
- **The necessity of additional measures** (if unnecessary, the reason for that) **and the content of such measures** (including details of the initiative, timing of implementation, and the status of implementation)

* For example, if the reasons for opposition relate not only to concerns about individual candidates, but also to the director appointment criteria or appointment process itself, **companies could consider reviewing their director appointment criteria and appointment process for regular AGMs in subsequent years**.

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**.

Other Points to Note Regarding Companies’ Responses

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.**
- ✓ Please see below for details of the disclosure requirements and the format. (Japanese only)
  https://faq.jpx.co.jp/disclo/tse/web/knowledge8716.html

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Revision of Independence Criteria (1)

- 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).

Revision of Independence Criteria (1) (cont.)

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.**

Revision of Independence Criteria (2)

Expansion of Attribute Information to be Disclosed

- For independent directors/auditors that fall under the following, TSE will require their 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 identified as cross-shareholdings in the Shareholding section of annual securities reports, including specified investment shares held for purposes other than pure investment and deemed holdings of equity securities).

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.

Revision of Independence Criteria (3)

Other Revisions

- For independent directors/auditors such as those who are non-major 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.)

Practical Guidance and Notification Form

- Please see below for the revised version of the Independent Directors/Auditors Notification Form.

IDA Notification Form: https://www.jpx.co.jp/english/equities/listed-co/disclosure-gate/form/index.html

* The following will also be revised to reflect the amendments to the Corporate Governance Code. The revised versions are scheduled to be published around July:

Practical Matters to Note on Securing Independent Directors/Auditors:
https://www.jpx.co.jp/english/equities/listing/ind-executive/index.html

Preparation Guidelines for Corporate Governance Reports: https://www.jpx.co.jp/english/equities/listing/cg/01.html

Ref.: Diagram of Proposed Revisions

	Executive at the Listed Company or Subsidiary	Executive at the Parent Company or Sister Company	**Executive at a Major Shareholder or Executive at a Company of Which the Listed Company Is a Major Shareholder**	Executive at a Major Client or an Entity (e.g. Consulting Firm) From Which the Listed Company Receives a Substantial Amount of Money	Executive at a Non-Major Client, at a Company With Which the Listed Company Has Cross-Appointments, or to Which the Listed Company Has Made Donations	**Executive at a Company That Holds Shares of the Listed Company as Cross-Shareholdings or in Which the Listed Company Holds Shares as Cross-Shareholdings**	Other
Current	×	×	**Added to “Not Independent”**		**Disclosure Required**	**Added to “Disclosure Required”**	
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 outsideness.

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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Revision Schedule

Date	Schedule
March 27, 2026	• Published outline of specifications
March 27 – April 26	• Public consultation
July 10	• Implement revised rules
December 2026 -	• Apply revisions starting from the regular AGM for the fiscal year ending December 1, 2026 or later ➢ "1. Requirement for Disclosure of Action in Light of Minority Shareholder Approval Rates/Opposing Votes" shall apply to proposals for director appointment adopted from the AGM referred to above. ➢ "2. Revision of Independence Criteria" shall apply to outside directors and outside company auditors serving on or after the day following the AGM referred to above.

Main Updates

Page	Title	Updates
4	Companies Required to Disclose This Information	• Added certain cases where it should be considered whether voluntary action is appropriate
5	Responses Required	• Changed the timing of disclosure regarding minority shareholders' approval ratios, etc. to "without delay after the AGM" • Changed the category of companies required to take measures such as dialogue with minority shareholders to "companies with an appointment proposal that failed to gain more than 50% approval from minority shareholders • Added a note on the timing of dialogue
6	(1) Disclosure of Minority Shareholder Approval Rates, etc. (Without Delay After AGM)	• Changed the timing of disclosure to "without delay after the AGM" • Partially revised the required disclosure items • Changed the cases requiring disclosure of measures planned to be taken to understand the reasons for minority shareholder opposition to cases where "there was an appointment proposal that failed to gain more than 50% approval from minority shareholders"
7	(2) Progress of Measures (No Later Than Six Months After AGM)	• Changed the cases requiring disclosure to cases where "there was an appointment proposal that failed to gain more than 50% approval from minority shareholders" • Partially revised the required disclosure items (including the addition of examples of disclosure content)
8	Other Points to Note Regarding Companies' Responses	• Added links to the preparation guidelines and sample formats
12	Revision of Independence Criteria (2)	• Added a note that cross-shareholdings may also include deemed holdings of equity securities, in addition to specified investment shares held for purposes other than pure investment
13	Revision of Independence Criteria (3)	• Added a link to the Independent Directors/Auditors Notification Form
16	Revision Schedule	• Updated the implementation date of the revised rules