

30th Meeting of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code

TSE's Recent Initiatives

Tokyo Stock Exchange, Inc.

June 2, 2025



Introduction

Corporate Governance Reform and Market Restructuring

TSE aims to revitalize the Japanese economy by realizing an attractive market for global investors through corporate governance reform and market restructuring.

Corporate Governance Reform

● Introduction of Corporate Governance Code

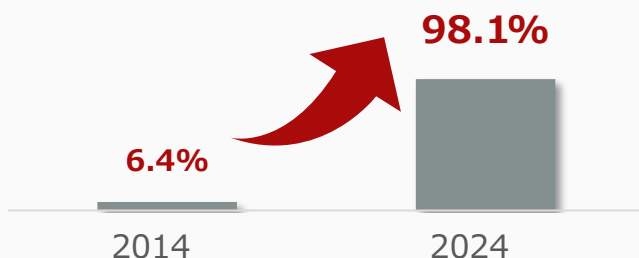
(Formulated in 2015, Revised in 2018 and 2021)

Purpose Encourage sound entrepreneurship to **achieve sustainable growth and enhance long-term corporate value.**

Role Provide effective mechanisms (**best practices**) for transparent, fair, swift, and decisive decision-making.

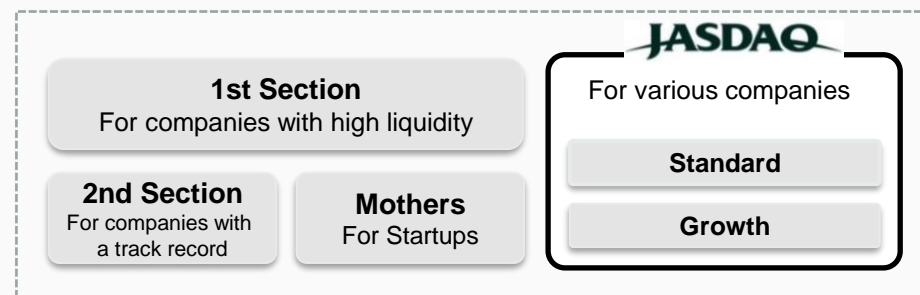
Application Principle-based and **comply-or-explain** approach.

● Prime-listed companies with at least one-third independent directors



Market Restructuring

● Conventional market segments (-March 2022)



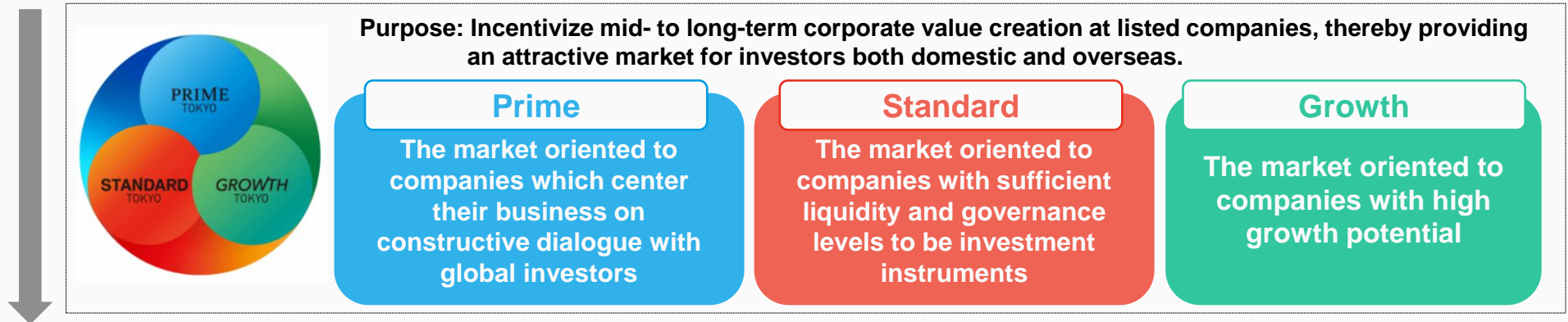
● Restructuring of Market Segment (April 2022-)

Purpose: Enhance long-term corporate value for listed companies and offer an attractive market supported by diverse investors.



From Market Restructuring to “Requests for Management Conscious of Cost of Capital and Stock Prices”

● April 2022 : Restructuring of market segment



● July 2022 - : Council of Experts Concerning the Follow-up of Market Restructuring

- ✓ Discuss current assessment and additional measures to improve the effectiveness of the objectives of the market restructuring
- ✓ Focus on the issue that **PBR and ROE in the Japanese market are low compared to Europe and the U.S.**

● March 2023 : Request for management that is conscious of cost of capital and stock price

Overall Picture of TSE's Initiatives

Action to Implement Management that is Conscious of Cost of Capital and Stock Price / Promoting dialogue with investors

- Review of progress to date with institutional investors [Spring - Summer 2025]
- Encourage companies to resolve issues as they move forward with initiatives
 - Add elements of the review process as well as the content of disclosure to the **good case studies**, and provide materials to encourage companies to consider (also continuously update the existing good / gap case studies) [Summer - Fall 2025]
 - Promote communication with institutional investors [Ongoing] (e.g., grasp the status of utilization of the contact wish list, set up opportunities for dialogue and deeper understanding, etc.)
- * Continue to conduct educational activities (seminars), etc. for management

Issues amid the promotion of Management that is Conscious of Cost of Capital and Stock Price

Parent-Subsidiary Listings

- Encourage **consideration and disclosure on group management and protection of minority shareholders**
 - Follow-up on the status of disclosure, taking into account "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings" [Fall 2025]
 - Publication of key points and case studies on disclosure [Winter 2025]
- * Also, continue to consider the development of listing rules necessary from the perspective of protecting minority shareholders (e.g., ensuring the independence of outside directors of listed subsidiaries).

Issues amid the increasing number of MBOs and Subsidiary Conversions by Controlling Shareholders

Going private

- From the perspective of protecting minority shareholders, encourage further demonstration of the functions of special committees and enhancement of necessary information disclosure
 - Revision of the Code of Corporate Conduct [Implementation in Summer 2025]

- * Raise awareness (seminars, etc.) for outside directors, including situations of going private

Promoting the Growth of Startup Companies

- Promote a set of measures that encourage companies to continuously aim for high growth both before and after listing [Once organized]
 - Promote IPOs aimed at high growth after listing
 - Request 'Management that strives for high growth'
 - Revise continued listing criteria (JPY 10 billion after 5 years)
- Enhance the appeal of the Growth Market and support initiatives
 - Provide good case studies, educational activities (seminars), create opportunities to meet with institutional investors, etc.

Actions in response to the termination of transitional measures

- Strengthen efforts to inform/caution shareholders and investors regarding the schedule for expiration of transitional measures and list of companies in the improvement period [From Spring 2025]
 - Exchange website (new special page)
 - Securities companies (request them to notify their individual investor clients)
 - Media (publishing of articles, advertisements, etc.)
- Request companies entering the improvement period to provide shareholders and investors with detailed explanations/information on the progress of their initiatives and delisting risks, and encourage them to consider and implement necessary initiatives [From Spring 2025]
 - Request that companies strive to provide detailed explanations/information to shareholders and investors at events such as general shareholders and IR meetings
 - Notify them of other companies' corporate action status (conformity to criteria, market transfers, listing on other exchanges, going private, etc.)
 - Request companies to disclose considerations on other corporate actions in addition to the status of its initiatives towards conformity

1. Implement Management that is Conscious of Cost of Capital and Stock Price

Purpose of Request

- The purpose of these actions is to have **the management of the company carry out their management duties with more consideration of cost of capital and profitability based on the balance sheet**, rather than just sales and profit levels on the income statement, in order to achieve sustainable growth and increase corporate value over the mid- to long-term.
- Specifically, based on the basic management policy established by the Board of Directors, **the management team is expected to take the lead in appropriately allocating resources with sufficient consideration of cost of capital and profitability** by pushing forward initiatives such as investment in R&D and human capital that leads to the creation of intellectual property and intangible assets that contribute to sustainable growth, investment in equipment and facilities, and business portfolio restructuring.

Note: While **share buybacks and dividend increases** are considered effective means of improving profitability, if shown as such by the company's analysis of whether the balance sheet effectively contributes to value creation, **TSE is not necessarily expecting companies to use only these or solve issues with a one-off response**. Efforts are expected on a fundamental level to attain profitability in excess of cost of capital on a sustained basis and achieve sustainable growth.

- In taking these initiatives forward, companies are expected to enable investors to assess their progress by presenting clear information on related policies, targets, and specific details in whatever way they see fit, and to **gradually improve their initiatives through proactive dialogue with investors based on this disclosure**.

Content of the TSE's Request in March 2023

*Excerpts from the notice to listed companies dated March 31, 2023.

Companies Subject to Request

- All companies listed on the Prime and Standard Markets.

Requested Action

- In order to implement management that is conscious of cost of capital and stock price, **listed companies are requested to implement the following series of actions on an ongoing basis.**

Analysis of Current Situation

- Gain a proper understanding of the company's cost of capital and profitability
- Analyze and evaluate the current situation around these and the market valuation at board of directors meetings

Planning & Disclosure

- Have board of directors discuss and develop policies, targets, planning periods, and specific initiatives for improvement
- Disclose clear information on these, along with assessment of the current situation, to investors

Implementation of Initiatives

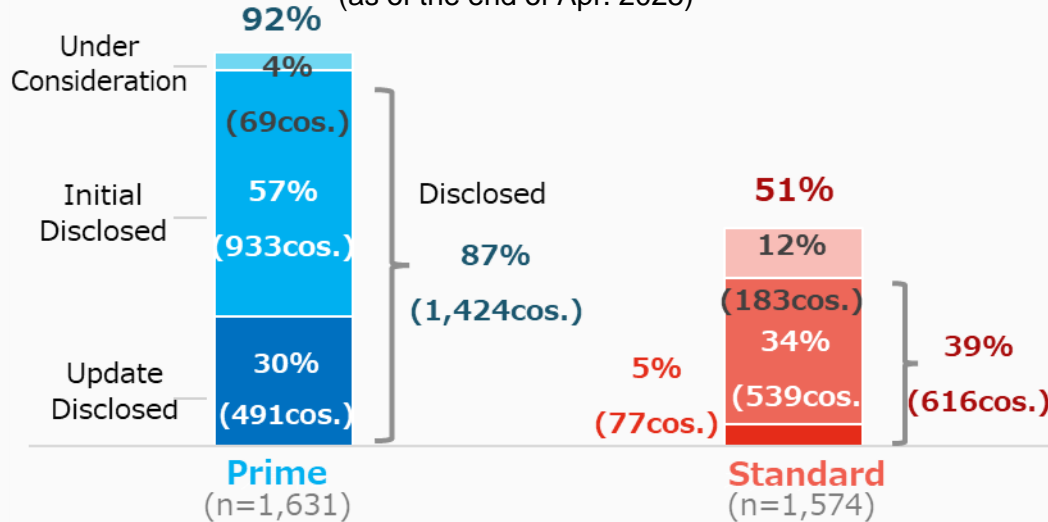
- Push forward with management that is conscious of cost of capital and stock price, based on the disclosed plans
- Engage in proactive dialogue with investors based on this disclosure

Conduct a progress analysis and update disclosures at least once a year

Disclosure Status and Policy on Follow-up

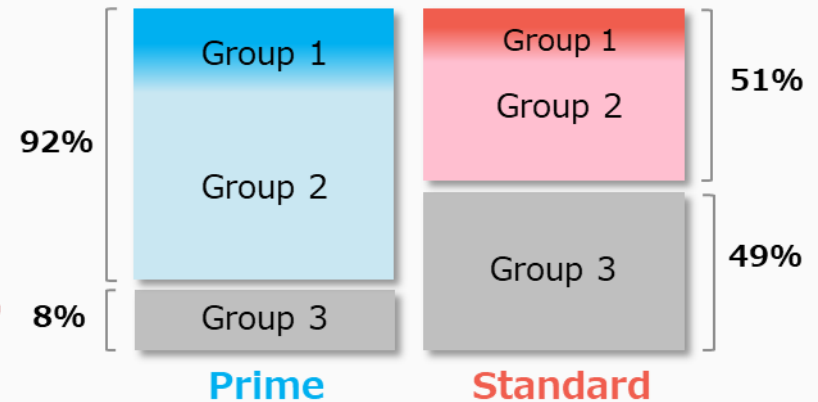
Disclosure Status

(as of the end of Apr. 2025)



Company Status Overview

(Estimated based on feedback from investors and others)



Policy on Follow-up (Announced on August 30, 2024)

Group 1: Companies autonomously promoting initiatives

- Continue to encourage their initiatives

Group 2: Companies with room for future improvement

- Provide material for consideration to help companies align with investors → **Action I. Key Points and Case studies**
- Promote communication with investors → **Action II. Upgrade the list of disclosed companies**

Group 3: Companies that have not yet disclosed

- Support for understanding and disclosing the contents of the request → **Action III. Ensuring IR systems**

Action I. Key Points and Case studies

- ◆ In February 2024, TSE published **key points of initiatives** that investors expect from companies, a set of **disclosure examples** that were cited by investors as what they are looking for, as well as what they aren't looking for.



- ◆ In November 2024, TSE compiled and published a new list of **“Cases Where Companies Are Not Aligned With Investors’ Perspectives”** to provide listed companies with a “trigger” to check and brush up their initiatives.
- ◆ In addition, based on recent feedback from investors, TSE expanded the **“Key Points and Case Studies Based on Investors' Perspectives”** published in February (29 cos. + 26 cos.).

<https://www.jpx.co.jp/english/news/1020/20241121-01.html>

Note: The contents above is based on interviews with over 300 investors in Japan and overseas.

(Ref.) How to Use Key Points and Case Studies

Step1. Learn About Misalignments Between Companies and Investors' Perspectives

Cases Where Companies Are Not Aligned With Investors' Perspectives



Compare the misalignments likely to occur depending on your company's situation and use them to analyze your company's initiatives.

Level 1

Insufficient analysis of the current situation and consideration of measures

- ◆ Analysis and evaluation of the current situation is only superficial
- ◆ Disclosures are just a list of initiatives
- ◆ Requests for dialogue are denied without legitimate reason

Level 2

Analysis of the current situation and measures are not up to investors' standards

- ◆ Misalignments in companies' evaluation of their current situation
- ◆ Insufficient consideration given to ideal balance sheets and capital allocation policies
- ◆ Target setting is not in line with investors' perspectives
- ◆ Analysis of issues and consideration of additional responses are not considered flexibly

Level 3

Further improvements are required after receiving a certain level of recognition from investors

- ◆ Insufficient focus is given to downsizing or withdrawing from unprofitable business
- ◆ Performance-linked executive compensation is not necessarily an incentive for medium- to long-term improvements in corporate value
- ◆ Disclosure of dialogue implementation status lacks specificity

Step2. Consider and Improve Initiatives

Explanation of Key Points Considering The Investor's Point of View



Case studies



Use the key points and examples provided to promote initiatives that take into consideration investors' perspectives.

*The information above is based on interviews with over 300 investors in Japan and overseas.

Examples of Misalignment 1

Analysis and evaluation of the current situation is only superficial

Example A (Created Based on Actual Disclosure)

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

At the end of each fiscal year, we calculate the cost of capital with the help of outside experts and report the results to the Board of Directors.

The Board of Directors has confirmed the company has been able to secure a return on capital that exceeds the cost of capital on an ongoing basis, including the most recent fiscal year.

*No mention of specific levels or target setting for capital profitability/cost of capital

Comments From Investors

- ✓ The statement “The Board of Directors has confirmed the company has been able to secure a return on capital that exceeds the cost of capital” **does not explain what kind of confirmation was carried out or what kind of medium- to long-term goals have been set, and does not lead to further dialogue.**
- ⇒ We expect companies **not to be satisfied with simply ensuring a return on capital that exceeds the cost of capital and continue to set targets.** (Point I.2 Document 3 Page 10 and Point II.1 Document 3 Page 15) *

Example B (Created Based on Actual Disclosure)

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

We are working to improve our corporate value over the medium- to long-term based on the FY2022-FY2024 “X Medium-Term Management Plan.”

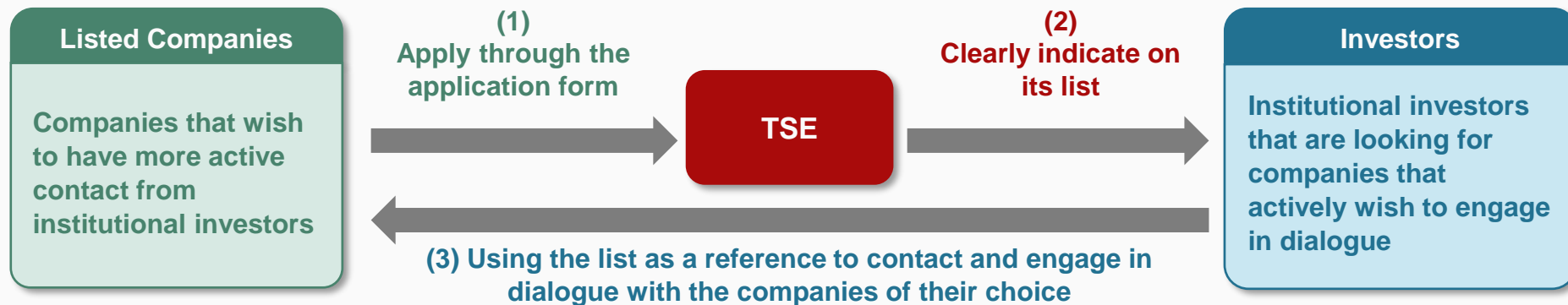
(Link to medium-term management plan referenced above)

*Even if you look at the plan in the link, there is almost no analysis, evaluation, or initiatives that are conscious of capital profitability, capital costs, or market evaluation.

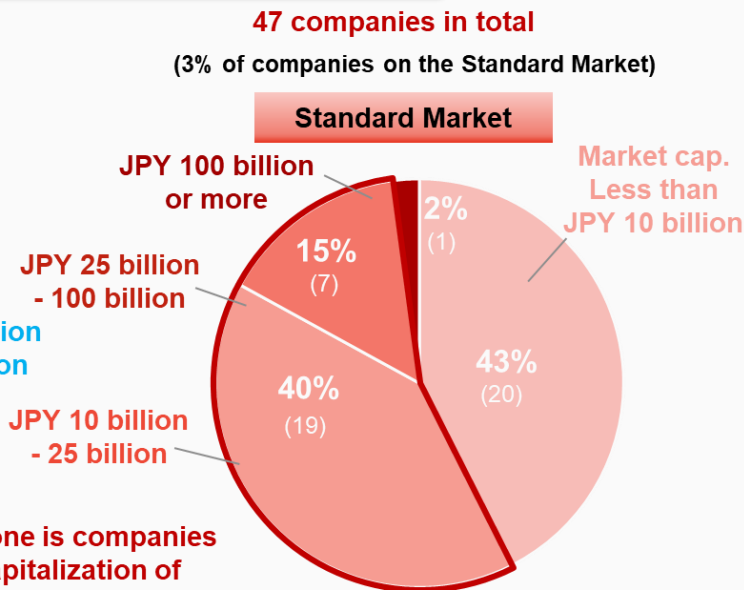
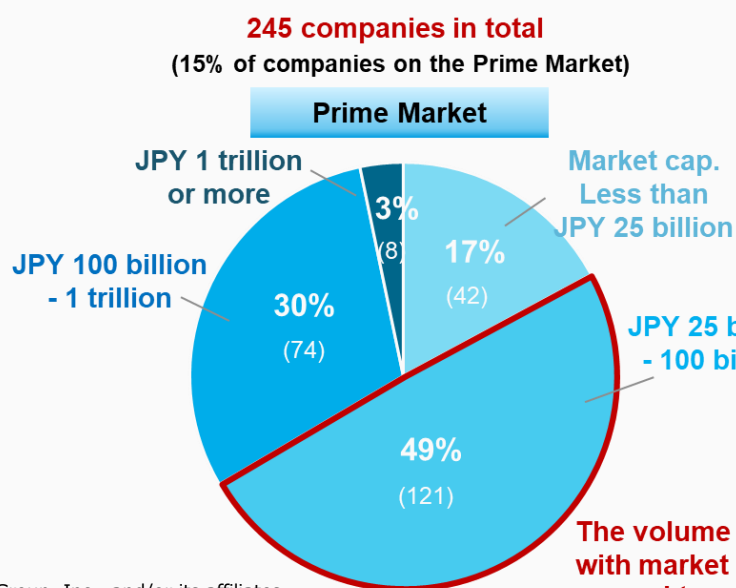
- ✓ **The disclosure is limited to providing links to past medium-term management plans, etc.** Even if you look at the documents in the link, it is difficult to say that sufficient consideration has been given, and **it feels like the management team does not have a sense of urgency.** In addition, **the stock price (market evaluation) reflects profitability, future potential, etc. over a longer period than the medium-term management plan, and there is a discrepancy in the scope of the period.**
- ✓ **Investors expect that the company will not necessarily be constrained by the framework of the medium-term management plan, but will actively review its current initiatives and progress in relation to its future vision to see whether they are meeting investors’ expectations, and make improvements where necessary.** (Point I.2 Document 3 Page 10 and Point III.4 Document 3 Page 26)

Action II. Upgrade the list of disclosed companies


- ◆ From January 2025, **companies that have disclosed but not been contacted by institutional investors and are wishing to have more active contact** are clearly identified in the list of companies that have disclosed.
 - As of the end of April 2025, **a total of 292 companies** had submitted applications.



Distribution of Market Capitalization of Companies That Have Applied



Action III. Ensuring IR systems

- In recent years, **many listed companies have been working to enhance their corporate value while building relationships with shareholders and investors through proactive IR activities** in light of requests such as taking action to implement “Management that is Conscious of Cost of Capital and Stock Price.”
 - On the other hand, some investors have pointed out that **certain companies do not conduct IR activities themselves and have not developed a system for doing so.**
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- Considering such circumstances, TSE will stipulate in the Code of Corporate Conduct (Matters to Be Observed) that **listed companies must develop a system for providing information to build relationships with shareholders and investors (IR system).**

Note 1: **TSE will not set uniform rules of IR systems that listed companies have.** (It is important for listed companies to develop their own IR systems based on their scale, composition of shareholders and others. **TSE plans to compile and share view from investors regarding IR systems, etc.)**

Note 2: **TSE will continue to require listed companies to disclose information on their own IR systems in Corporate Governance Reports** (hereinafter referred to as “CG Reports”).

Reference: Items required to be stated in the CG Reports (current)

Status of IR-related activities	<ul style="list-style-type: none">❑ IR-related systems<ul style="list-style-type: none">– The officer in charge of IR (such as a director responsible for IR activities), the department in charge of IR, the staff members in charge of IR, and other matters❑ Regular investor briefings (held for individual investors, analysts and institutional investors, and/or overseas investors)<ul style="list-style-type: none">– Dates of the briefings, contents, presenter (including whether or not a representative provided an explanation personally) and other matters❑ IR information posted on the website<ul style="list-style-type: none">– Posted information (such as corporate presentation materials), the URL, and others
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(Ref.) Expansion of English Disclosure in the Prime Market (April 2025-)

- It stipulated in “Matters Desired to be Observed” under the Code of Corporate Conduct that Prime Market listed companies should endeavor to **simultaneously disclose the same material corporate information in Japanese and English**.
- In addition, taking into consideration the practical burdens on listed companies, as the “Matters to be Observed” in the Code of Corporate Conduct, for **financial results and timely disclosure information**, which have a particularly large impact on investment decisions and are required to be promptly disclosed, **simultaneous disclosure in English and Japanese is mandatory**.

[Obligation Details]

Type of Documents		Timing of disclosure	Points to Note
Financial Results	<ul style="list-style-type: none">• Earnings Reports (Annual/Quarterly)• Supplementary Explanatory Materials	<ul style="list-style-type: none">• Simultaneously with Japanese*	<ul style="list-style-type: none">• While simultaneous disclosure of all documents in full is preferred, disclosure of an excerpt or summary in English is acceptable.
Timely Disclosure Information	<ul style="list-style-type: none">• All timely disclosure items		

*In the case where simultaneous disclosure in English would cause a delay in disclosure in Japanese because urgent action is required due to the occurrence of an incident, or because the content of disclosure in Japanese is not finalized until immediately prior to disclosure due to the coordination with relevant parties, disclosure in English is not necessary to be made at the same time as the Japanese disclosure. (i.e. Disclosure in Japanese is prioritized.)

[Applicable Period]

Effective for disclosures made on or after April 1, 2025

*However, since some companies are expected to take time to establish the necessary system for English disclosure., TSE give a grace period to listed companies that submit a document with a specific estimated date of implementation. The grace period is one year from when the rules take effect. (TSE compiled a list of companies given a grace period and their estimated implementation dates, which was published on the official JPX website in late March 2025.)

- English disclosures are regarded as **reference translations of Japanese disclosures** (accuracy of the translation is not subject to enforcement measures in the listing rules).
 - *In cases where no English disclosure is made (limited to cases where the plan is not disclosed), enforcement measures in the listing rules apply.
- **Further enhancement of disclosure content and expanding the scope of documents (to Annual Securities Reports, etc.) will continue to be considered.**

(Ref.) Summary of Survey Results (April 2025)

- ◆ In order to dig deeper and understand the issues that companies face when considering and making their initiatives and to use this information to develop more practical measures in the future, TSE conducted a survey of companies listed on the Prime and the Standard Markets.

⇒ TSE received responses from 1,428 companies (823 in the Prime Market and 605 in the Standard Market).

Survey results (items with high selection rates)

Organizational and Structural Aspects

- ✓ Lack of resources and systems for making considerations (49%)
- ✓ Internal considerations and coordination take time (35%)
- ✓ Considerations are limited to staff, and no progress is being made at the board level (17%)

Dialogue with Investors

- ✓ Lack of contact with institutional investors (38%)
- ✓ Institutional investors lack an understanding of the business models of and issues facing the company and the industry (27%)
- ✓ Questions from institutional investors are limited to short-term matters and do not give rise to discussions from a long-term perspective (26%)

Measures That Companies Expect TSE to Provide or Expand

- ✓ Examples of other companies' initiatives (good case studies / examples of misalignment) (72%)
- ✓ Explanations from TSE to the company's management (31%)
- ✓ Explanations from TSE to the company's staff (37%)
- ✓ Content aimed at improving IR skills (47%)

Contents of the Initiatives

- ✓ It is difficult to formulate a medium- to long-term capital policy (49%)
- ✓ It is difficult to figure out the company's cost of capital (26%)
- ✓ No progress is being made in reviewing the company's business portfolio (20%)
- ✓ It is difficult to find growth opportunities that exceed the cost of capital (22%)

Other

- ✓ Do not know how to disclose information so that it is properly conveyed to investors (38%)
- ✓ Initiatives are not rewarded or reflected in the stock price (29%)
- ✓ Do not know how to update initiatives and disclosures (21%)

* Figures in parentheses indicate the selection rate of all survey respondents

Future Measures

- ◆ With a view to **further accelerating, but not halting, the flow of reform in Japanese companies**, we will promote the following measures to **support the resolution of issues faced by companies that are trying to advance their initiatives.**

Issue

Organizational
and Structural
Aspects

Contents of
the Initiatives

Dialogue with
Investors

etc.

Future Measures

I. Providing materials to support companies in resolving their issues

- ✓ **Adding elements of the review process as well as disclosure content to the good case studies [Summer - Fall 2025]**
 - Provide the essence to support companies in making considerations by **conducting interviews with companies that have overcome the challenges(*)** that many of them face and sharing their experiences with the review process
 - * For example, the formulation of a medium- to long-term capital policy, internal coordination, the review of business portfolios, the updating of initiatives and disclosures, and other issues that were identified in the survey
- ✓ **Continual updating of good case studies and examples of misalignment [Along with the above]**
 - **Update with the latest examples** based on initiatives and disclosures taken from the April to July updates
 - **Further increase the number of examples from small- and medium-sized companies** based on companies' needs

II. Promoting communication with institutional investors

- ✓ Assessing the status of utilization of the **list of companies wishing for contact** and reviewing how it could be further utilized **[Summer 2025]**
- ✓ Setting up **opportunities for dialogue and deepening understanding [Ongoing]**

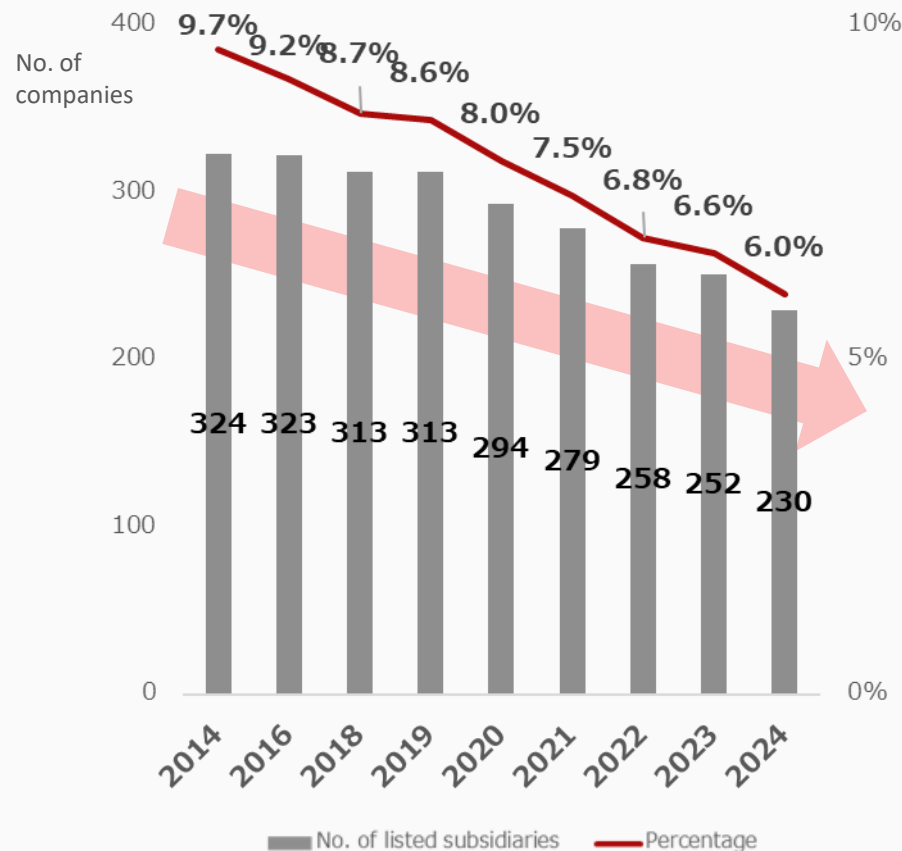
※ Other ongoing activities include **educational activities** (e.g., seminars) **for the executives of listed companies nationwide** and **provision of content to improve the IR skills of IR personnel** (online distribution of seminars conducted by experts, provision of networking opportunities)

2. Parent-Subsidiary Listings

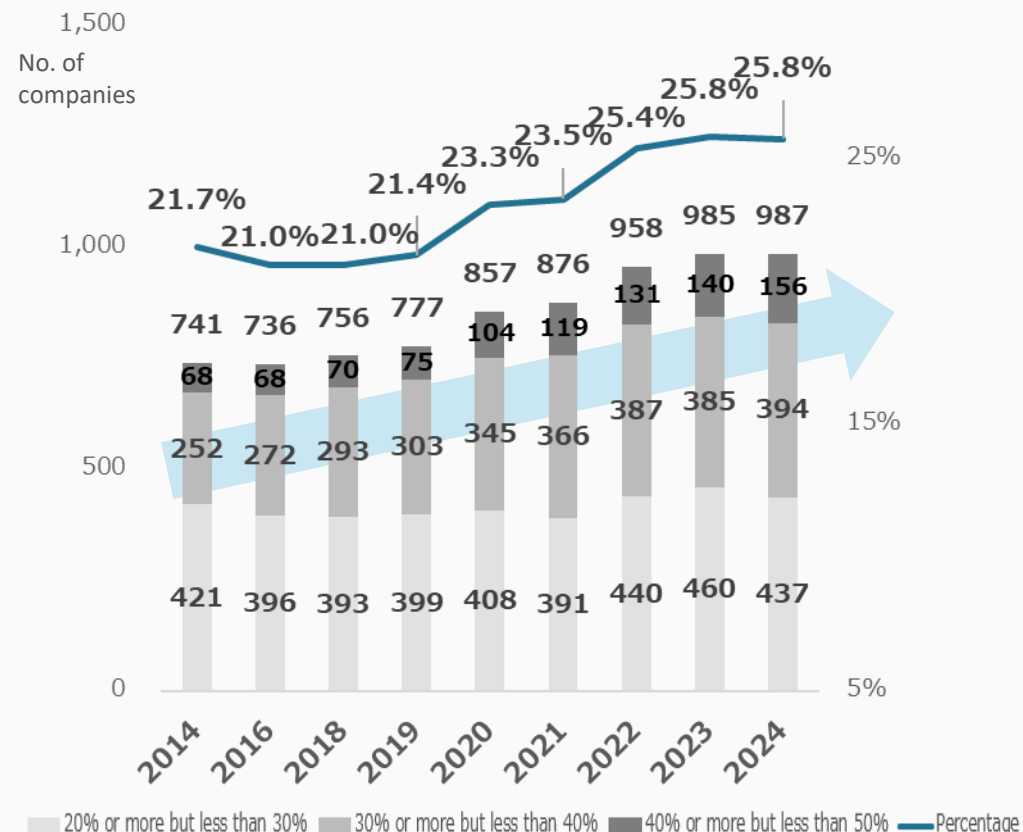
Number and Percentage of Listed Subsidiaries

- The number and percentage of listed subsidiaries is declining gradually mainly due to the parent company making the subsidiaries wholly-owned or selling off their stake in the subsidiaries.
- The number and percentage of listed companies with major shareholders (excluding parent companies and non-corporate shareholders) holding 20% or more but less than 50% of their shares is gradually increasing mainly due to the formation of controlling and dependent relationships after listing.

Number and Percentage of Listed Subsidiaries





Number and Percentage of Listed Companies with Major Shareholders Holding 20% or More but Less than 50% of Their Shares



Note: The figures were calculated from companies whose largest shareholders hold 20% to 50% of their shares after excluding companies with a parent company and companies whose largest shareholder is an individual.

Initiatives to enhance disclosure regarding group management and minority shareholder protection

- ◆ In December 2023, we revised and published **key points for group management and minority shareholder protection disclosure for listed companies with parent-subsidary or equity method relationships**, in order to ensure sufficient predictability for minority shareholders when making investment decisions.

- ◆ In October 2024, we followed up on the status of disclosures based on these key points. Despite this, many opinions were received stating that **“in most cases, companies still do not consider the significance of parent-subsidary listings from the investors’ perspective”**, indicating room for improvement.

- ◆ In February 2025, we compiled and published **"The Investor's Perspective on Such Matters as Parent-Subsidiary Listings"**, based on investors' feedback.
 - This document provides **the investors’ perspective and examples of specific situations where companies' initiatives are not aligned with it.**

(*) The above content is based on interviews with over 100 investors from Japan and abroad.

(*) Source of information: <https://www.jpx.co.jp/english/news/1020/20250204-01.html>

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

Example (based on an actual disclosure)

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

Example (based on an actual disclosure)

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

Investors' Comments



- ✓ There are many cases where the parent company merely cites the advantages of listing its subsidiaries and does not consider or explain **whether this is optimal in terms of capital efficiency and improving the group's corporate value**.
- ⇒ In TSE's request to take "Action to Implement Management that Is Conscious of Cost of Capital and Stock Price," companies are expected to **appropriately allocate management resources by being conscious of the cost of and returns on capital** and doing such things as reviewing their business portfolios.
- ⇒ As the parent company **considers the balance sheet and cash allocation policy that it is hoping to achieve**, it should also discuss and explain **how it will position and utilize its listed subsidiaries**.
- ⇒ In addition to qualitative analysis, the parent company needs to perform **quantitative analysis** from the perspective of **capital returns** (e.g., ROE and ROIC) and **market valuation** (e.g., PER and PBR) to determine such things as **whether the subsidiary is achieving a return on capital that exceeds the cost of capital**.
- ⇒ It is also important for the parent company to consider **the best owner principle (whether it is the holding entity that maximizes its subsidiary's corporate value)**. As a result, it may choose to sell its subsidiary to a third party. Investors applauded companies like Hitachi and Fujitsu for **considering their business portfolio strategy and selling some of their subsidiaries**.

Future Follow-Up on Parent-Subsidiary Listings

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

- **Publish "The Investor's Perspective on Such Matters as Parent-Subsidiary Listings"** based on feedback from investors in Japan and overseas [February 2025]

Follow-Up on the Status of Disclosures on Group Management, etc.

- **Follow-up on the status of disclosures on group management, etc.** [Fall 2025]
 - Confirm the status of disclosures on group management, etc. that take the investor's perspective into account
 - * Not only disclosures by companies in parent-subsidiary relationships, but also disclosures by companies in quasi-controlling/quasi-controlled relationships
- **Publication of Key Points and Examples of Disclosures on Group Management, etc.** [Winter 2025]
 - Compile key points of disclosures that take the investor's perspective into account and examples of disclosures that have been well received by investors
 - * Focus on examples that consider and disclose how companies manage their groups in terms of capital efficiency and medium- to long-term improvements in corporate value, as required by TSE's request to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."
- **Consideration and implementation of other additional measures based on the above follow-up, etc.** [After Fall 2025]

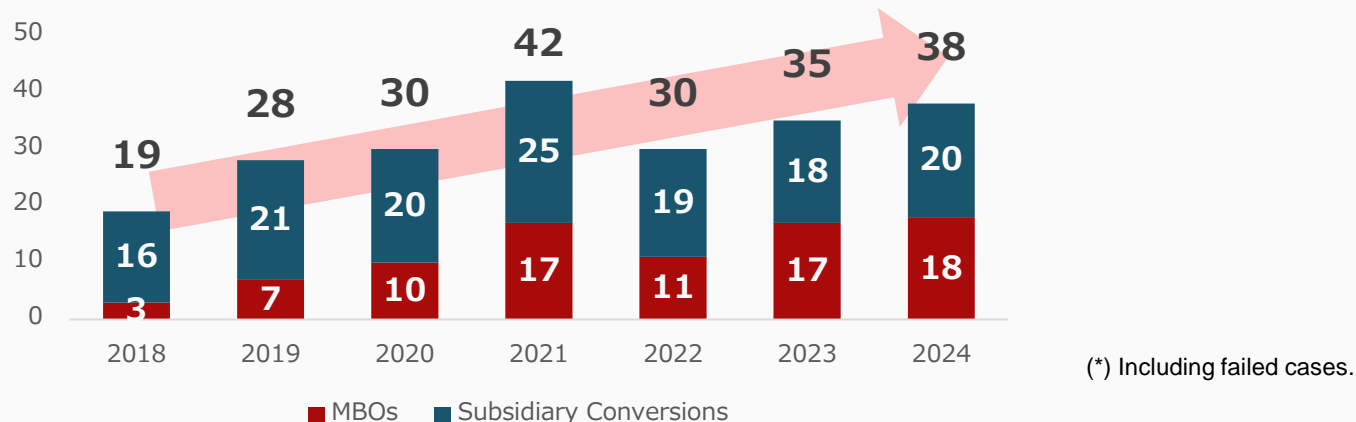
Development of Listing Rules That Are Necessary for the Protection of Minority Shareholders

- **Continue to consider the development of listing rules**, such as ensuring the independence of independent directors at listed subsidiaries (e.g., revising the independence criteria) and making the appointment of independent directors mandatory. [Ongoing]

3. Going Private

Background of Revising the Code of Corporate Conduct on MBOs

- In recent years, listed companies have been required to conduct mindful management. As business portfolio reviews have progressed, **the number of MBOs and Subsidiary Conversions by controlling shareholders has remained high.**





- In the case of MBOs, following the publication of the Ministry of Economy, Trade and Industry's 'Fair M&A Guidelines' in 2019, progress has been made in such practices for ensuring fairness as deliberations by special committees.
- However, investors have continued to express concern about **the effectiveness of special committees and the disclosure regarding the share value calculation**, as there are cases where the fairness of the price has not been ensured.
 - ✗ Investors also pointed out that **protecting general shareholders' interests is crucial in the case of a conversion into a wholly-owned subsidiary by other related company** (such cases where a company holds 20% or more of the voting rights), while group restructuring activities by listed companies in relationships under the equity method are shown.
- Given further progress of such corporate actions, we conduct the revision of the Code of Corporate Conduct to promote the framework for Fair M&A Guidelines and ensure the fair interests of general shareholders.

Revising the Code of Corporate Conduct on MBOs and Subsidiary Conversions (Overview)

Review the Scope of Actions Covered by the Code

- In such cases as when a listed company decides on an MBO or its conversion into a wholly-owned subsidiary by an entity such as its controlling shareholder or an other related company (*1)(*2), TSE will require the listed company to obtain an "opinion stating that the transaction will not undermine the interests of minority shareholders" and make a "necessary and sufficient timely disclosure" as stipulated in the "Matters to Be Observed" in the Code of Corporate Conduct.

	Subsidiary Conversion by Controlling Shareholder	MBO	Subsidiary Conversion By Other Related Company
(1) Opinion stating that the transaction will not undermine the interests of minority shareholders <ul style="list-style-type: none">● Requirement to obtain said opinion from an entity that has no interest in the controlling shareholder	Already applicable	 Newly applicable	Newly applicable
(2) Necessary and sufficient timely disclosure <ul style="list-style-type: none">● Requirement for necessary and sufficient timely disclosure (including an overview of the share value calculation)	Already applicable	 Newly applicable	Newly applicable

(*1) "Other related company" refers to that set forth in Article 8, Paragraph 17, Item 4 of the Financial Statements Regulation (cases where a company holds 20% or more of the voting rights, or cases where a company holds between 15% and 20% of the voting rights and can exercise significant influence)

(*2) Specifically, this will apply to such cases as when the listed company expresses an opinion on an MBO or a takeover bid by an entity such as its controlling shareholder or an other related company and decides to conduct an action such as a share exchange in connection with the entity (limited to cases where a delisting is expected).

Revision of Content of Code

- (1) **Revision of the "opinion stating that transaction will not undermine the interest of minority shareholders"** (a listed company shall obtain an opinion stating that the transaction is fair to general shareholders from Special Committees and disclose it.)
- (2) **Revision of the contents of "necessary and sufficient disclosure of information"** (enhancing disclosure of important assumptions for the share value calculation) to ensure that general shareholders determine the fairness of a transaction on the basis of sufficient information.