

TSE's Recent Initiatives

Tokyo Stock Exchange, Inc.

October 21, 2025



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.**

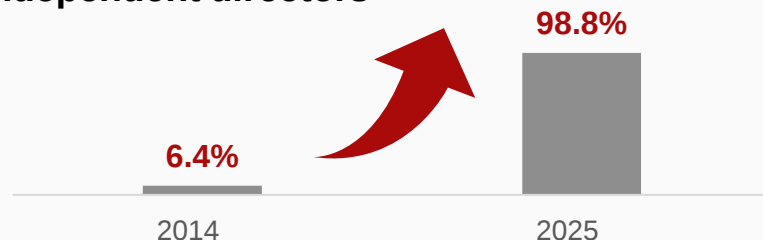
Role

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

● Restructuring of Market Segment (April 2022-)

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

Prime

(1,612cos.)

Companies with high liquidity and governance focused on constructive dialogue with global investors

Standard

(1,567cos.)

Companies with sufficient liquidity and governance for investment

Growth

(604cos.)

High-growth potential companies

※As of September 2025,
listed company count

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

● Request for Management That is Conscious of Cost of Capital and Stock Price (Prime & Standard), March 2023-

● Growth Market Reform begins in September 2025

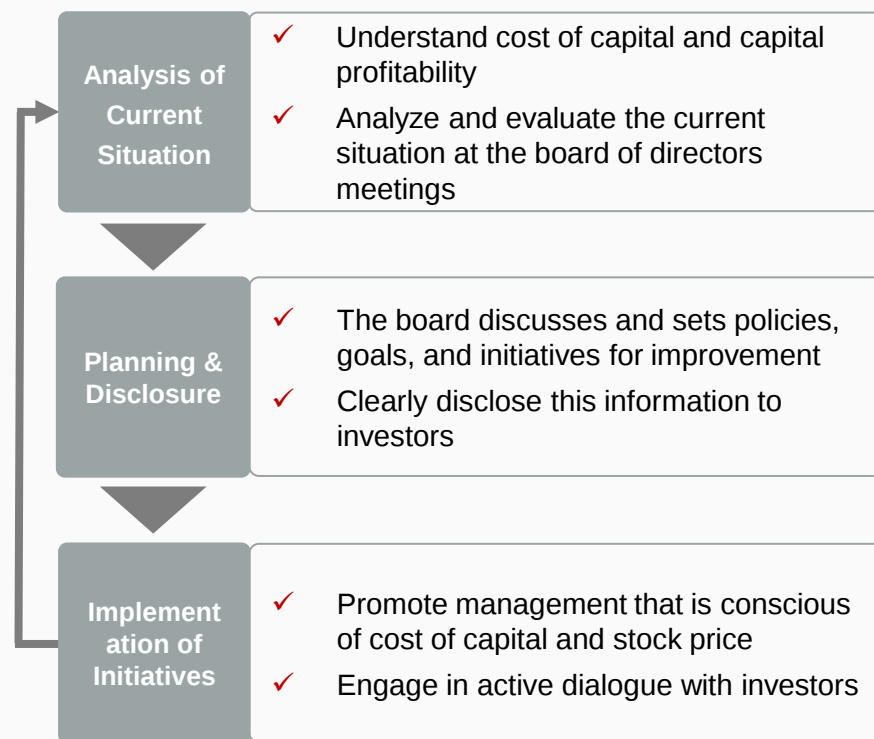
(Ref.) Request for Management That is Conscious of Cost of Capital and Stock Price

To encourage a shift in management mindset, in March 2023, all Prime and Standard listed companies were requested to take a series of actions under the “Request for Management That is Conscious of Cost of Capital and Stock Price.”

Purpose of the Request

- The aim is for listed companies to **manage their businesses with a focus on capital cost and return on capital**, not just sales and profits, to **enhance mid- to long-term corporate value**.
- Specifically, **boards are expected to take the lead in allocating resources appropriately through initiatives** such as **R&D, human capital and facility investments**, and **reviewing business portfolios** to drive sustainable growth.
- **Rather than relying solely on share buybacks or dividend increases**, companies are expected to fundamentally boost returns above capital cost and achieve sustainable growth.

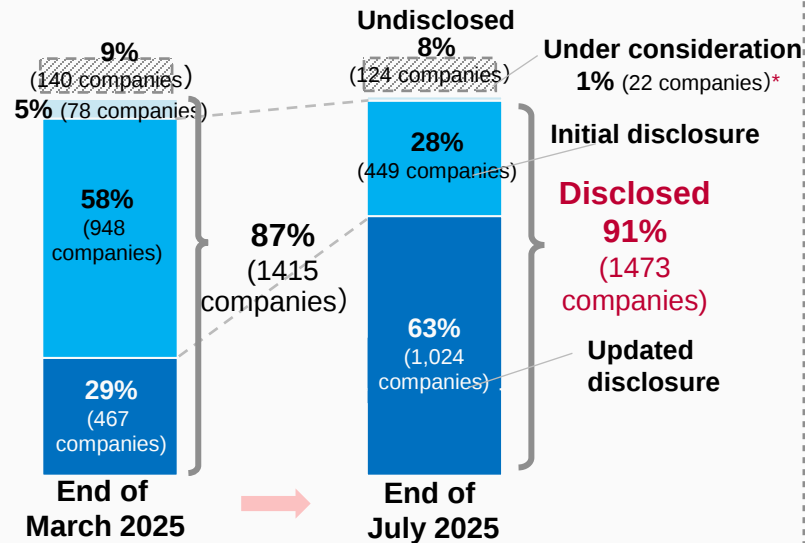
Required Actions for Listed Companies



Update at least once a year

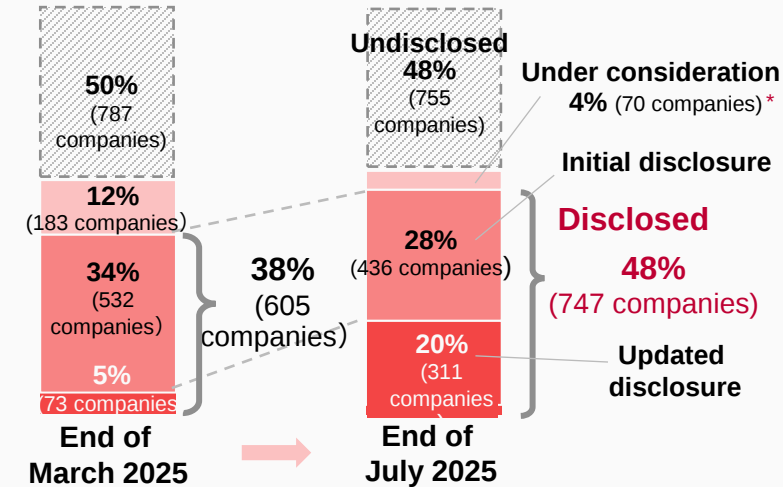
Disclosure Status of “Management That is Conscious of Cost of Capital and Stock Price”

Prime Market



⇒ The main disclosure activity in the Prime Market is updates, with over 90% of companies having disclosed information and over 60% having updated it.

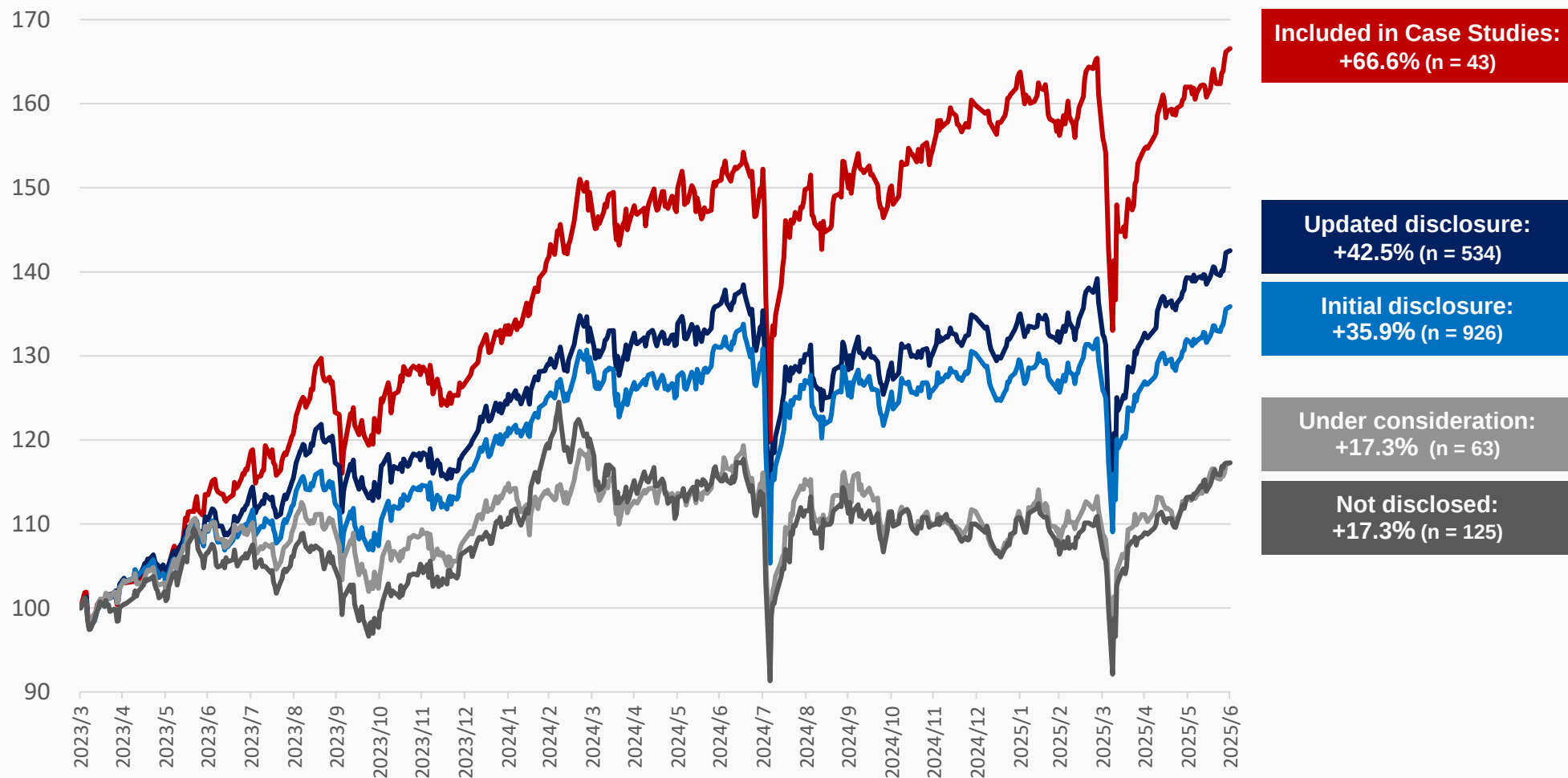
Standard Market



⇒ In the Standard Market, although there has been an increase in companies making initial disclosures and updates recently, approximately half of companies still remain in the “undisclosed” category.

Note: Starting from January 2025, the inclusion period for “under consideration” on the List of Companies That Have Disclosed Information is six months, and companies that exceed this period are classified as “undisclosed.” (Prime: 36 companies, Standard: 113 companies)

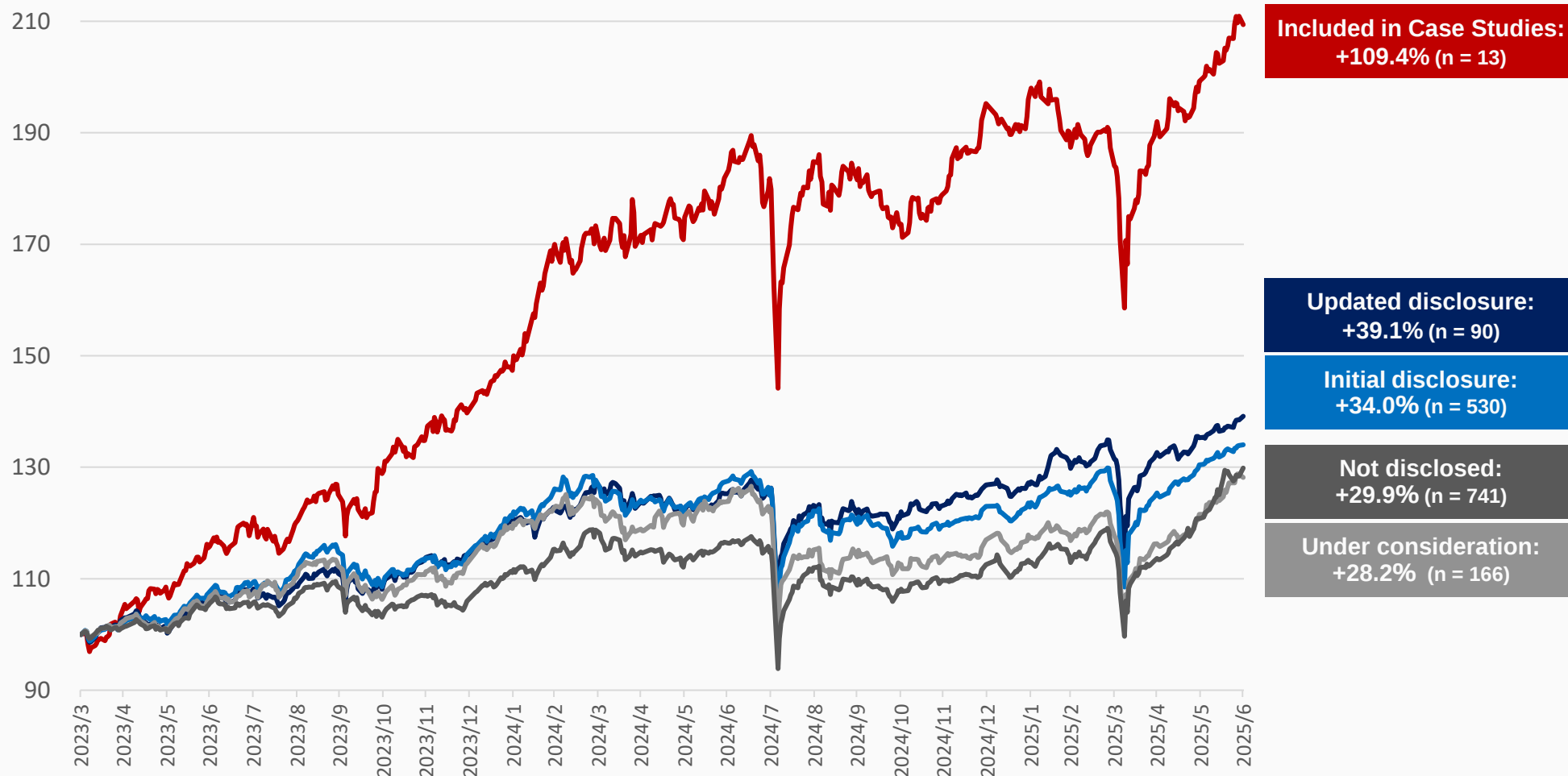
(Ref.) Stock Prices After the Request (Prime)



* Estimations of stock price trends for each category (equal weightings) where prices as of 2023/3/31 are converted to 100.

* Disclosure status is based on the list of companies that have disclosed information as of June 30, 2025.

(Ref.) Stock Prices After the Request (Standard)



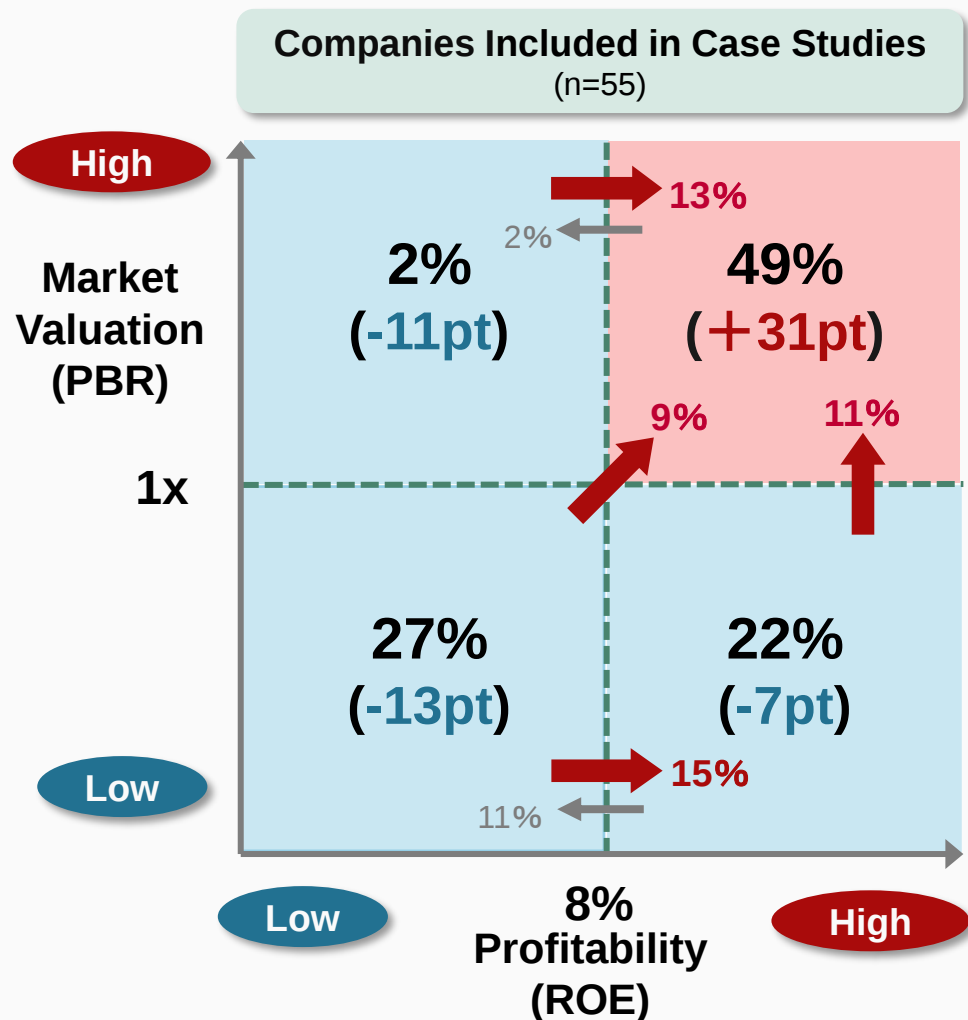
* Estimations of stock price trends for each category (equal weightings) where prices as of 2023/3/31 are converted to 100.

* Disclosure status is based on the list of companies that have disclosed information as of June 30, 2025.

Changes in Market Valuation and Profitability (for Companies Included in Case Studies)

- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) and main initiatives are as follows.

- The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.

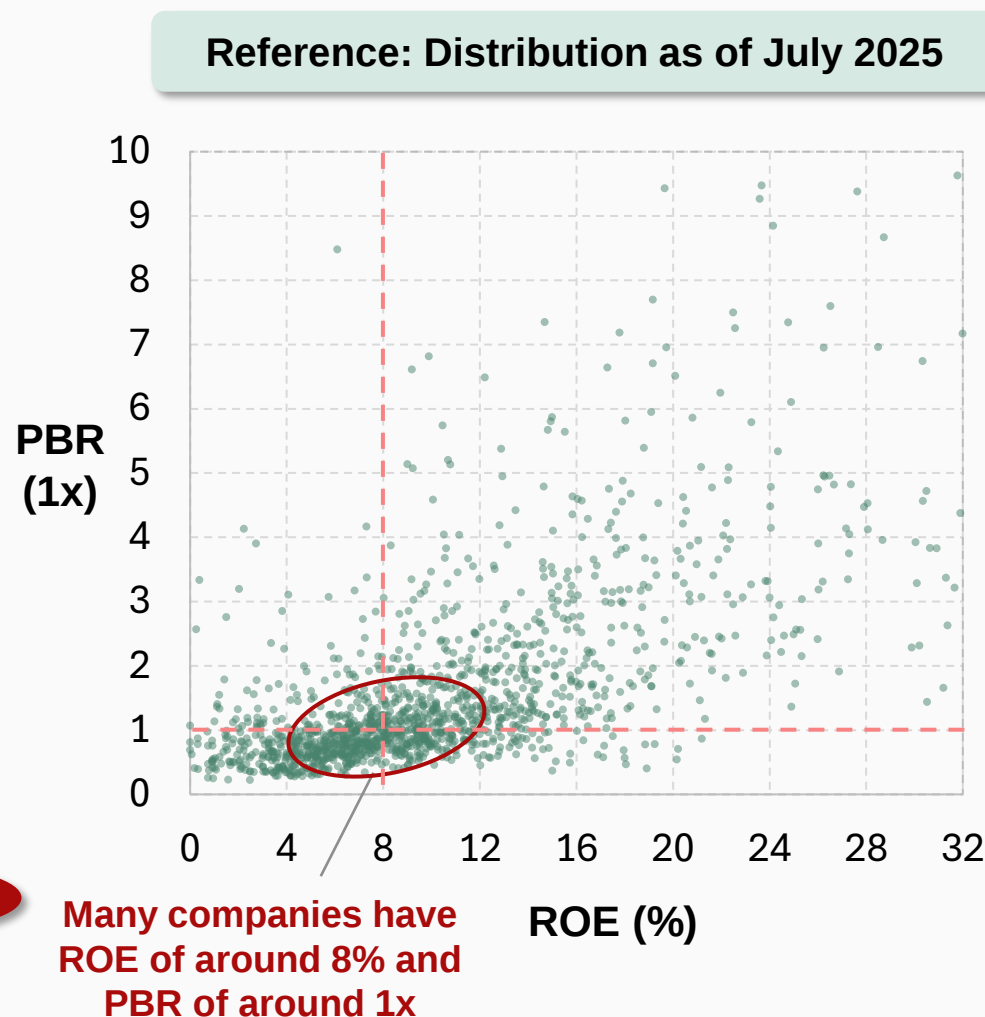
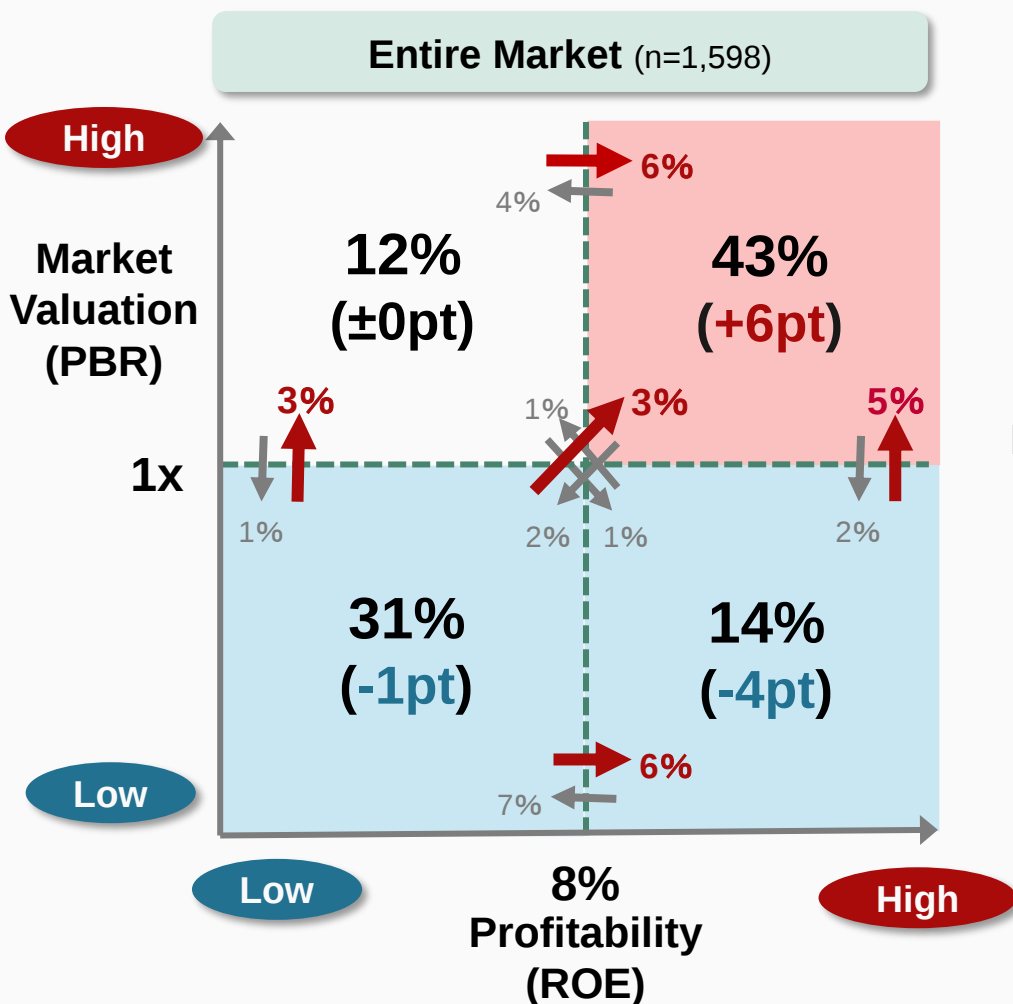


Main Initiatives of Companies Included in Case Studies

- Merger and acquisitions, investment for growth
 - Review of business portfolio
 - Formulation of medium to long-term capital policy
 - Enhancement of information disclosure and IR activities
 - Review of goals based on dialogue
 - Revision of executive compensation
 - Sale of cross-shareholdings
 - Implementation of shareholder returns
- ⇒ In the future, conduct in-depth analysis when updating key points and case studies

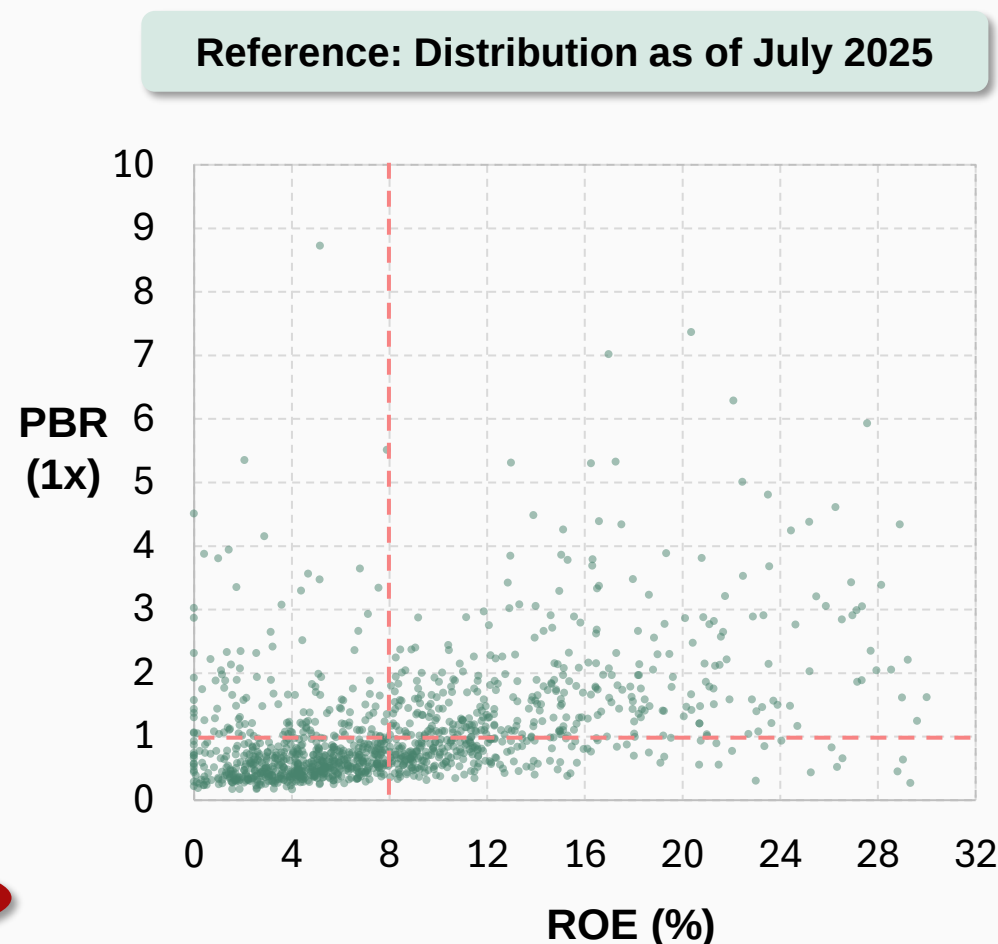
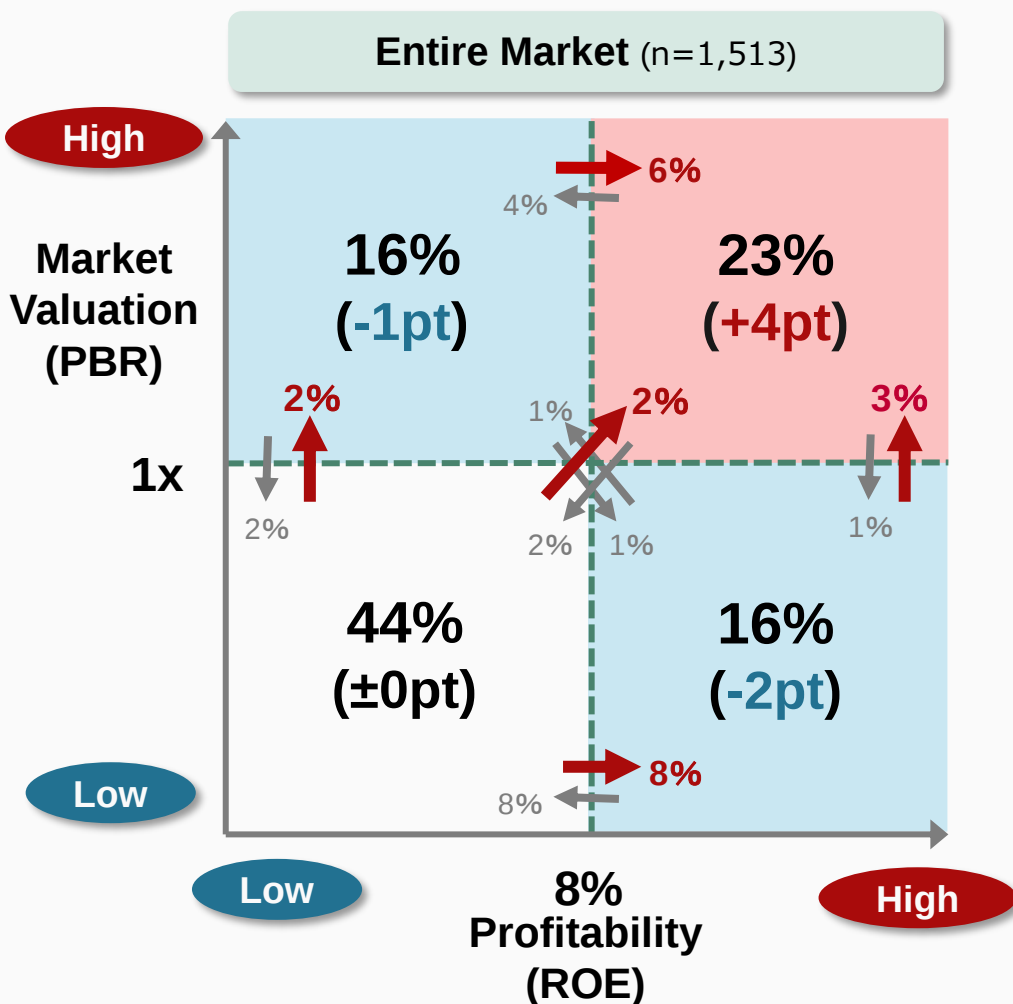
Changes in Market Valuation and Profitability (Prime Market)

- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) are as follows.
 - The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.



Changes in Market Valuation and Profitability (Standard Market)

- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) are as follows.
 - The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.



Recent Feedback from Institutional Investors (1)

- ◆ Below is **the main feedback from mostly active international and domestic institutional investors (about 200 investors)**, with whom we have exchanged opinions since the beginning of the year.

(Positive feedback regarding changes at companies)

- I **sense a change in management's awareness**. It has better understanding of not only the cost of capital but also the concepts of ROIC and WACC. It is commendable that **a common protocol between shareholders and companies has been formed**. (Domestic investor)
- Interest in cost of capital and stock prices among Japanese companies has increased to a level that was unimaginable a few years ago. In addition, **many companies are placing more emphasis on dialogue with investors, and the quality of IR and dialogue is steadily improving**. (Overseas investor)
- **When the request was first announced, I thought the enthusiasm would die down after about a year, but actually I feel that sustained change is occurring**. Japanese stocks have been undervalued for some time, **but now I have the impression that the quality of companies is improving**. (Overseas investor)
- Management is becoming more aware and is also **considering investors more when making management decisions and disclosing information**. In addition, **industry leaders are taking action in various different sectors, creating a trend for other companies to follow suit**. (Overseas investor)
- **Companies with market cap of several billion yen are also changing their mindset, with some beginning to formulate medium- to long-term capital policies**. These companies are also **likely to see results in the future, albeit with a slight delay**. (Management Consulting)

(Opinions on effectiveness of initiatives)

- Positive changes include **companies disclosing ROE targets, capital allocation policies, and efforts to improve balance sheet efficiency**. **The issue going forward is the feasibility of these plans**, and we would like to see a concrete roadmap for the next five years that outlines how to enhance corporate value. (Domestic investor)
- In order to increase allocation to Japanese stocks, **it is necessary not only to disclose efforts to improve capital efficiency, but also to confirm that ROE and ROIC are actually improving**. (Overseas investor)

(Opinions on the need to raise corporate awareness)

- Although progress is being made at many companies, **there are still companies that feel secure as long as their ROE exceeds 8% and their PBR exceeds 1x, and the gap between companies that are making efforts and those that are not is widening, which is a major issue**. (Domestic investor)
- **Companies that have room for further improvement must not stop at just slightly improving their PBR and ROE. Companies should not be satisfied with that, but should aim higher and higher**. (Overseas investor)

Recent Feedback from Institutional Investors (2)

(Challenges and suggestions for the future)

- Through our dialogue with corporate managements, we feel that **while managements' understanding of the cost of capital has improved, their awareness of how to reflect this in their management is still weak**. For example, **drastic management decisions, such as withdrawing from unprofitable businesses using ROIC or allocating resources to growing businesses, have not been made**. The key is **how management acts, so please continue to encourage them to implement drastic measures**. (Domestic investor)
- Many companies are considering shareholder returns the starting point for improving capital efficiency, and **share buybacks seem to be on the rise**. While good as a means of paying out surplus cash, **ad hoc shareholder return measures no longer make sense in the context of share price**. I would like to see companies **continue to invest in their core business to enhance corporate value over the medium to long term, and be aware that they should start by carefully considering the balance sheet they are aiming for and their cash allocation policy**. (Overseas investor)
- We believe that companies have been successful to the extent that they have begun to set capital allocation policies and ROE targets, but we believe that **performance-linked executive compensation is the key to inducing action to achieve these company's goals**. For Japanese companies in particular, **stock-based or other performance-related compensation counts for only a small percentage or small fixed amount of total executive compensation**. (Overseas investor)
- **Companies are now entering the phase of implementing their disclosed plans, so it is important to update their disclosures**. Rather than disclosing the results only once plans are complete and targets achieved, **it is necessary to appropriately disclose progress during updates, analyze progress, and explain recovery measures to investors as necessary**. (Overseas investor)
- Although a little late, **some companies are now beginning to make new growth investments and set medium- to long-term goals**. However, **there is much room for improvement, as in some cases growth investments are focused on improving short-term profit and loss rather than enhancing medium- to long-term corporate value, and goal setting is not linked to initiatives or lacks a coherent narrative**. (Domestic investor)
- Two years have passed since the request was made, and **it should be possible to compare how individual companies have changed**. **Highlighting in some way companies that have made improvements would be a positive message to Japanese companies and institutional investors**. (Overseas investor)
- **Gap case studies provide a summary of the key issues, and we use them in our engagements**. What was previously viewed as the sole opinion of our company is now understood by companies as something that other investors are thinking about as well. Now there is wide recognition that good case studies are being published, the next step would be to **provide incentives for companies to aim for inclusion in them**. (Overseas investor)

Summary of Survey Results for Listed Companies

- ◆ The results of the survey showed that **the following were frequently raised as issues when considering and making initiatives**

Organizational and Structural Aspects	Contents of the Initiatives
✓ 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%)	✓ 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%)
Dialogue with Investors	Other
✓ 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%)	✓ 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

- ◆ **The following were frequently mentioned as measures and support expected from TSE**

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%)

Current Status and Future Direction

- ◆ **There is a clear difference emerging in the response of listed companies;**
 - **In the Prime Market, the disclosure rate has exceeded 90%, with the main disclosure activity being updates. TSE will provide practical information tailored to support companies that are in the implementation phase of their initiatives, such as updates to key points and case studies.**
 - **In the Standard Market, although some companies are starting to make initial disclosures and updates, it remains a challenge that around half of companies have still not made disclosures, despite it being more than two years since the request.**

- ◆ **Also, as companies progress in their initiatives, there has been feedback from institutional investors that many companies feel reassured if they exceed an ROE of 8% and a PBR of 1x, so there needs to be awareness-raising to encourage companies to aim higher.**

- ◆ **From the viewpoint of promoting communication with institutional investors, TSE will continue to provide support to deepen understanding of institutional investors while, in accordance with company and investor needs, also improving the list of companies that have disclosed information.**

Reference

Cases where “Comply” has been criticized as becoming a mere formality

- ◆ While more listed companies are working to enhance corporate value through engagement with shareholders and investors, **there are still companies whose attitude toward shareholders and investors is considered insufficient, such as those who refuse to engage in dialogue without reasonable grounds.**
- ✓ Starting in July 2025, all listed companies are required to establish IR systems. To promote effective IR activities, TSE has published “[Investors’ Views on IR Systems and Activities](#)” and will continue regular follow-up in the future.

Level 1 – Examples of Misalignment 3

Level.1

Level.2

Level.3



Examples of Misalignment 3

Requests for dialogue are denied without legitimate reason

Example (Created Based on Actual Disclosure)

Investor: I would like to request a one-on-one dialogue

Company A: We do not conduct one-on-one dialogues, as we do not have a sufficient IR system in place.

Company B: We refuse all meetings with overseas investors

Company C: For fair disclosure reasons, we are unable to accept one-on-one dialogues

Comments from Investors

✓ Even when we request a one-on-one meeting, we are turned down without a convincing reason. Even if they declare compliance with the principles described in CG Code 5-1 (Policy for Constructive Dialogue with Shareholders), refusing to engage in dialogue without a convincing reason can only be described as non-compliance. In addition, we are requesting one-on-one meetings to deepen our understanding of growth strategies and capital policies and to communicate the views of investors. We are not asking for insider information, so it is inappropriate to turn down the meeting on the grounds of fair disclosure.

⇒ Setting up a system for responding to dialogue with investors is a minimum requirement for listed companies. While we understand that there are busy periods, we would like companies to respond as much as possible when they are not busy. (Point III.1 Document 3 Page 22)

Example (Created Based on Actual Disclosure)

Investor: I would like to have a dialogue with the outside director to deepen my understanding of your company's governance structure and the status of deliberations at the Board of Directors.

Company D: The outside director is too busy at the moment

Company E: The outside director only has shallow knowledge and understanding of our business, so please talk to someone within the company

Company F: Our company denies requests for dialogues with the outside director *Specific reason not given

✓ Even for companies that have declared compliance with the supplementary principles of the CG code 5-5-1 (To the extent reasonable, the senior management, directors, including outside directors, etc., should have a basic position to engage in dialogue with shareholders), when you request a meeting with an outside director, they will refuse on the grounds of being too busy or having insufficient knowledge or understanding.

⇒ Outside directors are in a position to participate in discussions at board meetings from an outside perspective and should essentially play a role in representing the position of minority shareholders. With this in mind, outside directors should communicate with shareholders and investors and strive to understand their ideas.

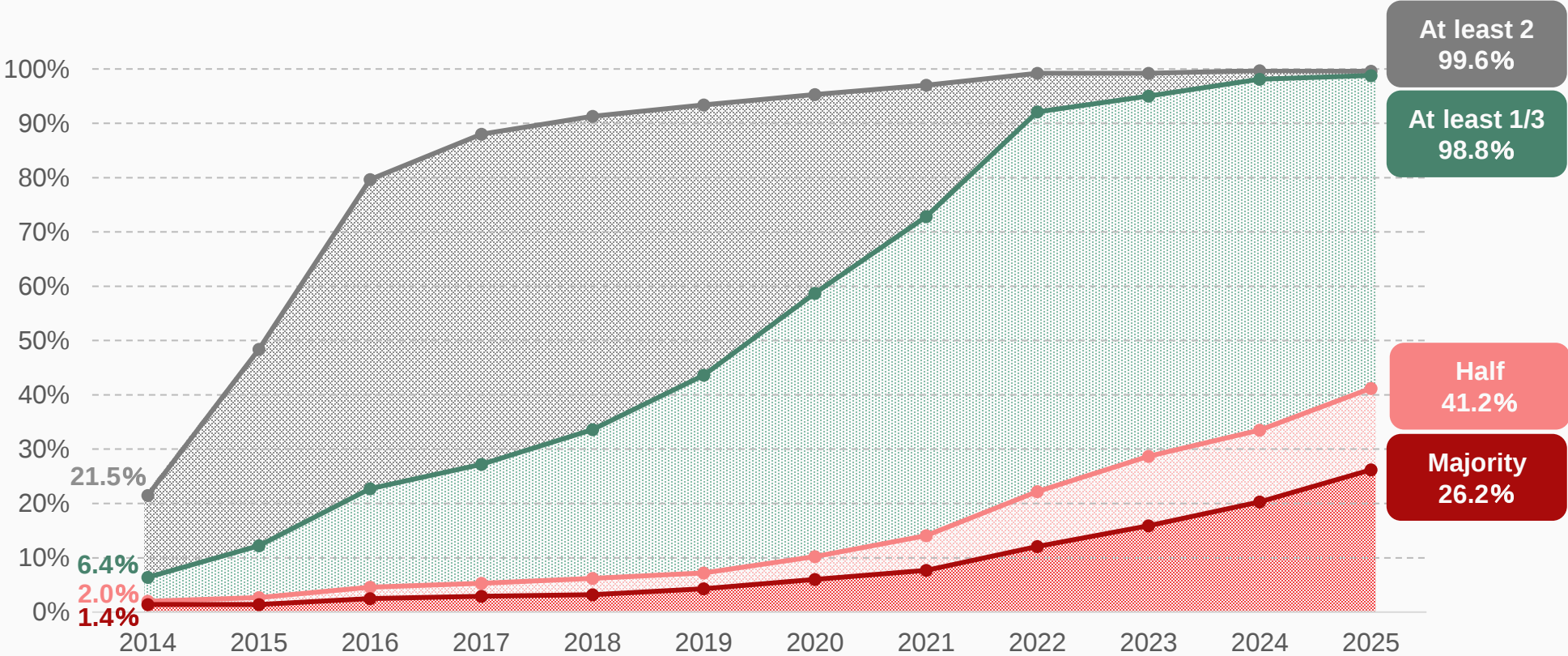
⇒ Investors are also well aware that in some cases, outside directors may only have a limited knowledge and understanding of the business. What we want to confirm with outside directors is whether governance is functioning adequately, whether there are any issues, and what kind of discussions are taking place at board meetings regarding management issues. (Point III.1 Document 3 Page 22)

(Source) Tokyo Stock Exchange, “[Cases Where Companies Are Not Aligned With Investors’ Perspectives](#)” (published November 21, 2024), underlining added on page 8

Status of Appointment of Independent Directors (Prime Market)

- **98.8%** of Prime Market listed companies appoint **at least one-third independent directors**, **41.2%** appoint **at least half**, and **26.2%** appoint **a majority**.

Principles	Content
Principle 4.8	Companies listed on the Prime Market should appoint at least one-third of their directors (the majority of directors if deemed necessary) as independent directors that sufficiently have such qualities.



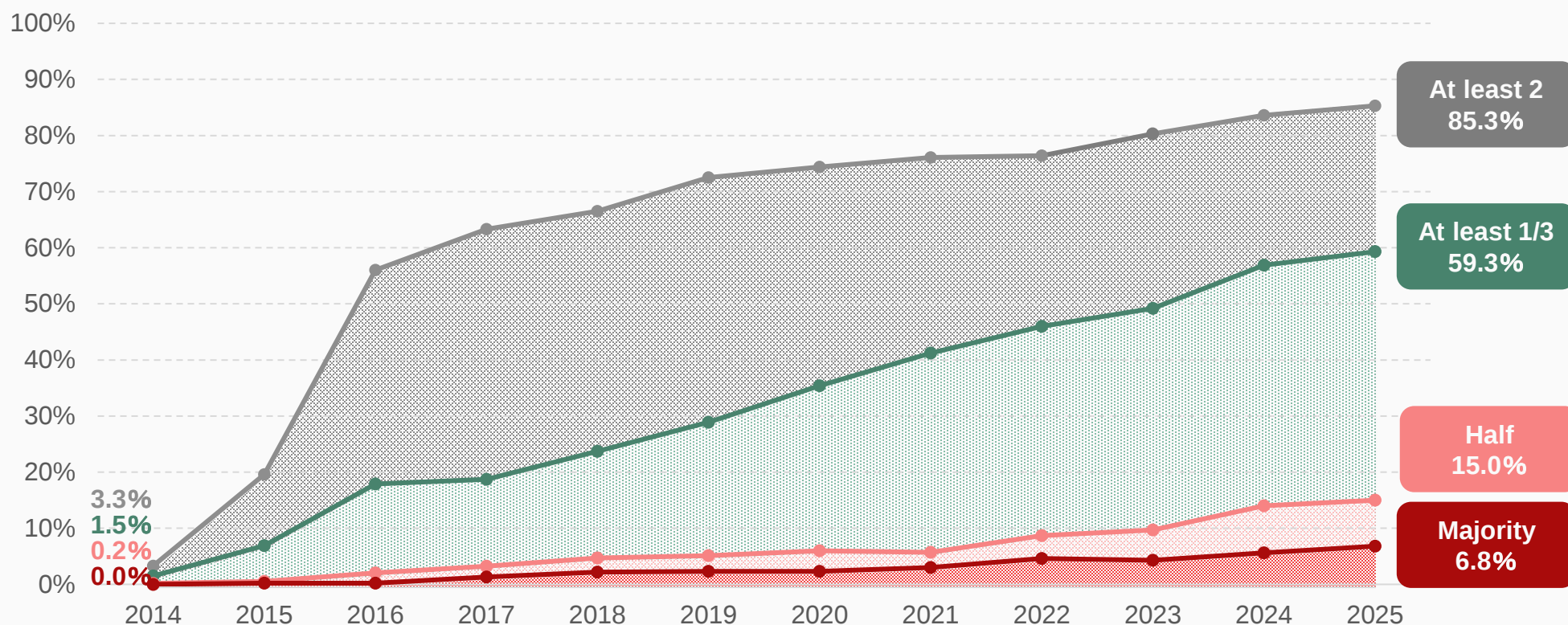
(*) As of July 2025

(**) Data before 2021 are based on the former First Section of the market.

Status of Appointment of Independent Directors (Standard Market)

- **85.3%** of Standard Market listed companies appoint **at least two** independent directors, **59.3%** appoint **at least one-third**, **15.0%** appoint **at least half**, and **6.8%** appoint **a majority**.

Relevant Principles	Content
Principle 4.8	Companies listed on other market should appoint at least two directors (the one-third of directors if deemed necessary) as independent directors that sufficiently have such qualities.

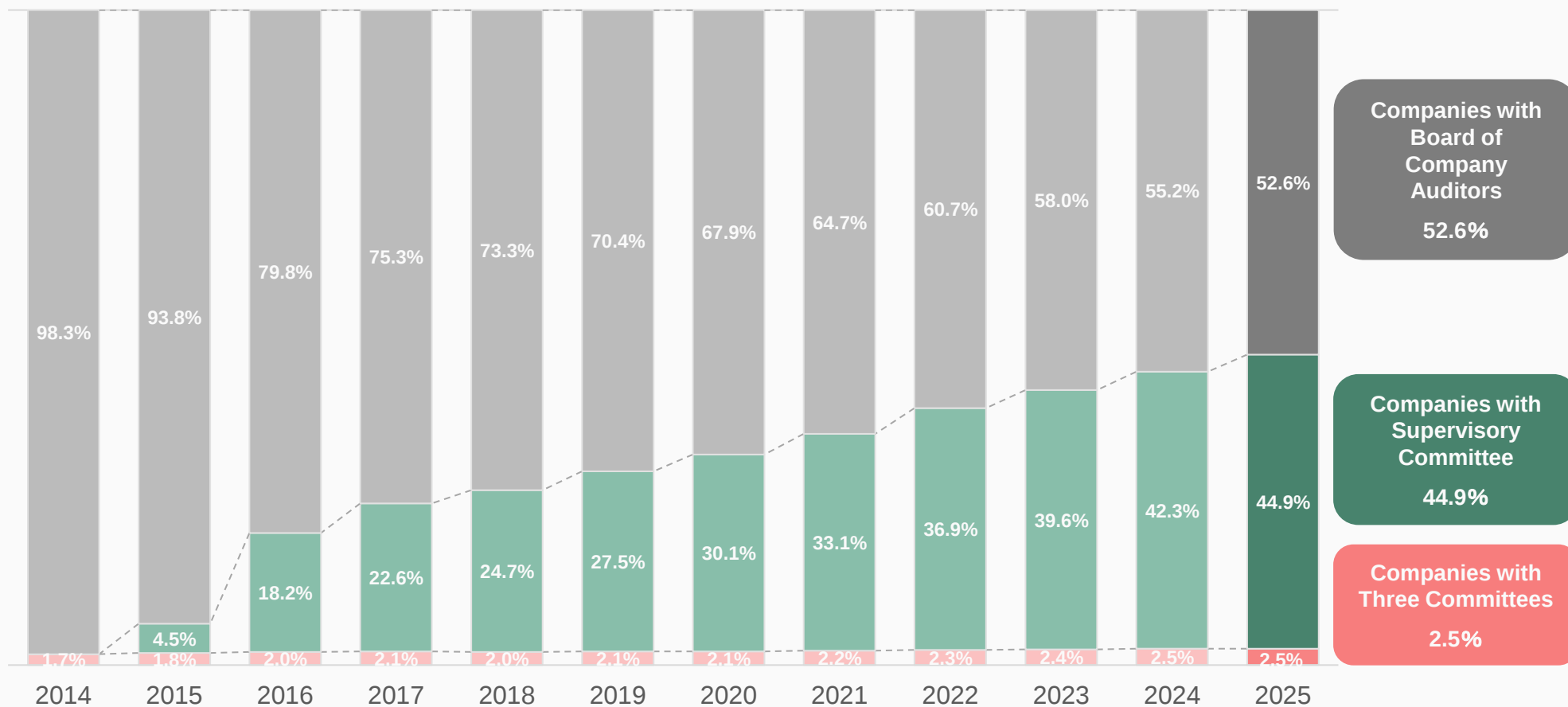


(*) As of July 2025

(**) Data before 2021 are based on the former Second Section of the market.

Changes in Ratio of Adoption of Organizational Forms

- Among all listed companies on the Prime, Standard, and Growth markets, **52.6% are Companies with Board of Company Auditors**, **44.9% are Companies with Supervisory Committee**, and **2.5% are Companies with Three Committees**, with the number of Companies with Supervisory Committee on the rise.



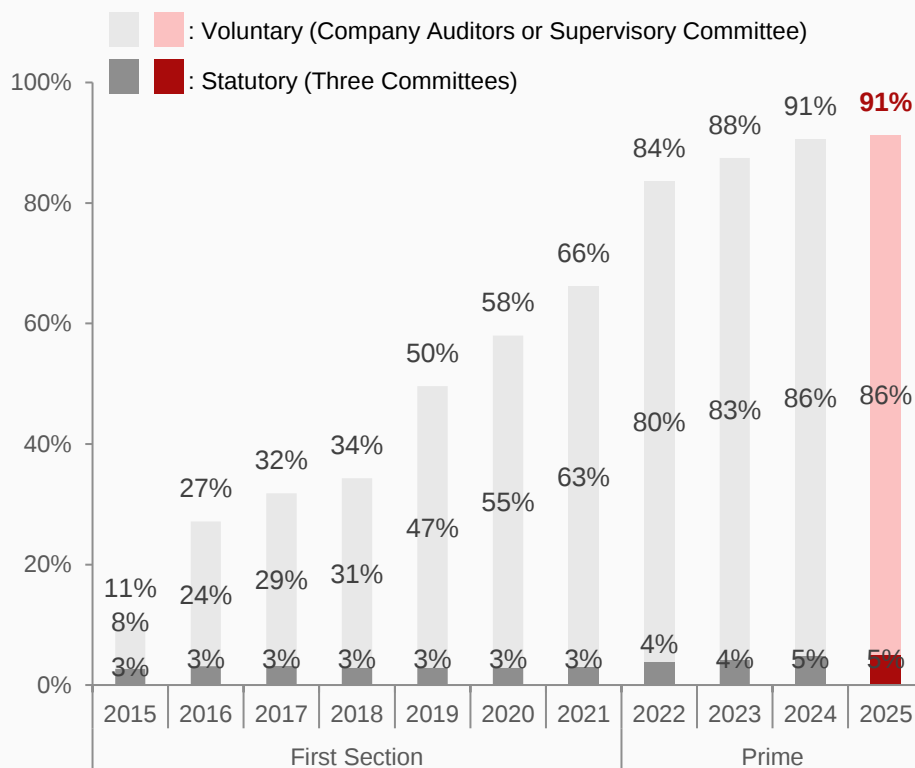
(*) As of July 2025

Status of Nominating and Remuneration Committees (Prime Market)

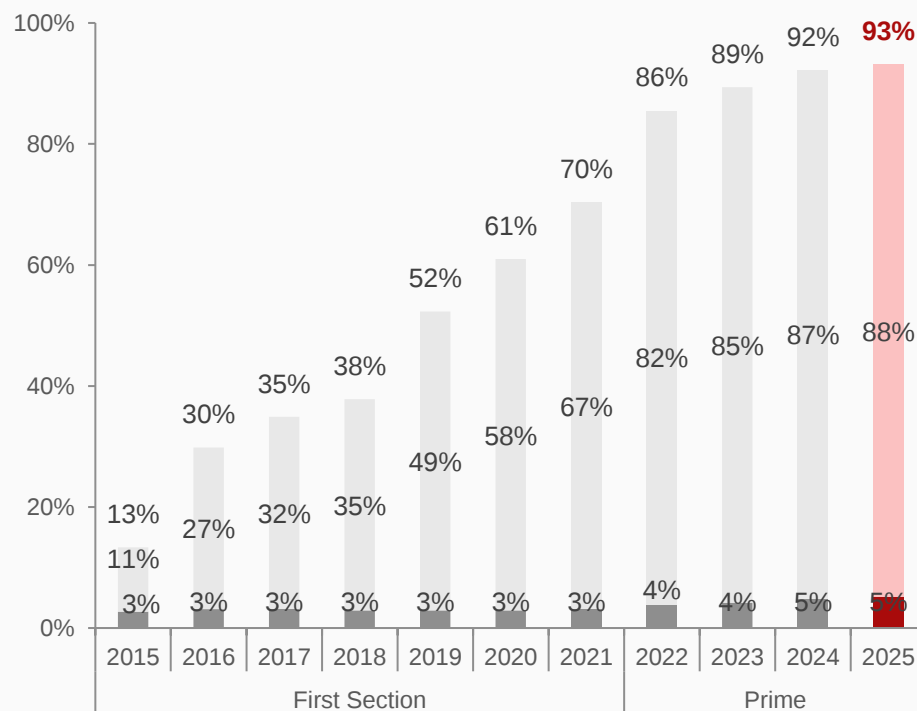
- Among Prime Market listed companies, 5% are statutory Companies with Three Committees, while over 90% of companies with Supervisory Committee or Board of Company Auditors have voluntarily established nominating and remuneration committees.

Relevant Principles	Content
SP 4.10.1	If independent directors do not constitute a majority of the board, companies should establish nomination and remuneration committees primarily composed of independent directors to strengthen board independence and objectivity, considering diversity and skills. Prime Market companies should ensure that independent directors make up the majority of each committee and disclose the independence and composition of these committees.

Companies with Nomination Committee



Companies with Remuneration Committee



(*) As of July 2025

Independence of Nominating and Remuneration Committees

- Among Prime Market listed companies that have **voluntary nominating and remuneration committees**, over 90% have a **majority of outside directors** as committee members, and **over 70% have an outside director as committee chair**. The independence of these committees has been steadily improving.
- (*) According to the Code, Prime Market listed companies should ensure that a majority of members on voluntary nominating and remuneration committees are "independent directors". However, in the following data, due to data limitations, the figures are based on outside directors.

Ratio of Outside Directors in Nomination Committees

■ Outside director ■ Inside director ■ External expert ■ Others ■ None



Outside directors account for the majority 93.7% (+1.6pt from 2024)



Ratio of Outside Directors in Remuneration Committees

■ Outside director ■ Inside director ■ External expert ■ Others ■ None

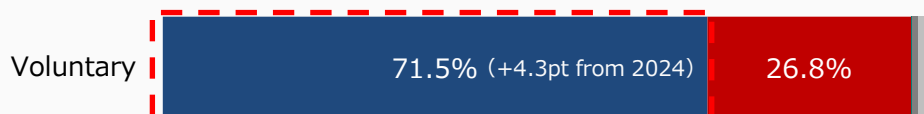
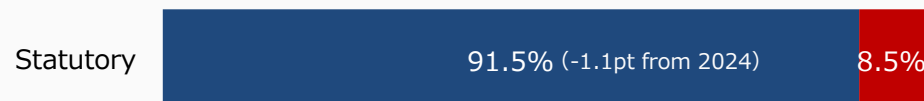


Outside directors account for the majority 93.3% (+1.3pt from 2024)



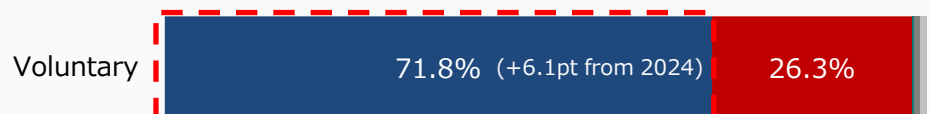
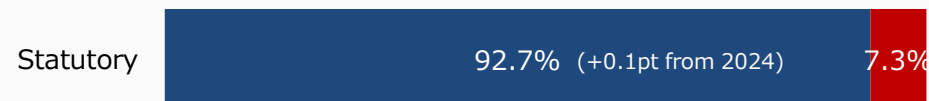
Attributes of Chairpersons of Nomination Committees

■ Outside director ■ Inside director ■ External expert ■ Others ■ None



Attributes of Chairpersons of Remuneration Committees

■ Outside director ■ Inside director ■ External expert ■ Others ■ None



(*) As of July 2025

Status of Response to Each Principle (1 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
GP 1	Companies should strive to secure shareholder rights and equality, with adequate consideration for minority and foreign shareholders.	100%	100%
P 1.1	Listed companies should ensure the effective exercise of shareholder rights, including voting rights at general shareholder meetings.	100%	100%
SP 1.1.1	The board should analyze the reasons for significant opposing votes on proposals and consider necessary dialogue and measures.	99.9%	99.6%
SP 1.1.2	The board should consider its adequacy and propose delegating certain decisions to the board at the general meeting, taking into account management agility.	100%	99.9%
SP 1.1.3	Companies should ensure that the exercise of special rights by shareholders, particularly minority shareholders, is not impeded.	100%	100%
P 1.2	Companies should recognize general shareholder meetings as opportunities for dialogue and create an environment that facilitates the exercise of shareholder rights.	100%	99.7%
SP 1.2.1	Companies should provide accurate information at general shareholder meetings to enable shareholders to make informed decisions.	100%	99.9%
SP 1.2.2	Companies should ensure the accuracy of convening notices and strive to send them early. Additionally, they should disclose the notice contents electronically via TDnet or their website.	99.7%	95.9%
SP 1.2.3	Companies should set general shareholder meeting dates appropriately, considering shareholder dialogue and accurate information provision.	99.7%	98.1%
SP 1.2.4	Companies should facilitate electronic voting and provide English translations of convening notices, considering institutional and foreign investors. Prime Market companies should make the electronic voting platform available to institutional investors.	93.1%	23.1%
SP 1.2.5	Companies should discuss and consider accommodating institutional investors who wish to exercise voting rights in place of trust banks or custodial institutions.	98.3%	91.0%

(Note) Compliance rates are quoted from "TSE Listed Companies White Paper on Corporate Governance 2025" by Tokyo Stock Exchange.
100% compliance rates are shown in red, rates of 90% or higher in yellow, and rates below 90% in green (applicable to the following pages as well).

Status of Response to Each Principle (2 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
P 1.3	Companies should explain their basic capital policy, considering its impact on shareholder interests.	99.6%	95.2%
P 1.4	Companies should disclose their policy on cross-shareholdings and reduction plans, annually assess and disclose the appropriateness of holdings, and establish and disclose voting standards.	95.8%	91.9%
SP 1.4.1	Companies should not hinder the sale of their shares by policy shareholders who wish to sell.	99.8%	99.9%
SP 1.4.2	Transactions with policy shareholders should be economically justified, and companies should not continue those that harm shareholder interests.	100%	99.9%
P 1.5	Anti-takeover measures should be carefully examined for necessity and rationality, ensuring proper procedures and explanations, considering fiduciary responsibility to shareholders.	100%	98.8%
SP 1.5.1	During a tender offer, the board should clearly explain its position and not unfairly impede shareholders' rights to sell their shares.	100%	99.9%
P 1.6	Capital policies involving changes in control or dilution should be thoroughly examined for necessity and rationality, with proper procedures and sufficient explanations.	100%	99.9%
P 1.7	The board should establish, disclose, and appropriately monitor procedures for related party transactions to ensure they do not harm the company or shareholder interests.	100%	99.7%

Status of Response to Each Principle (3 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
GP 2	Sustainable growth and value creation require collaboration with diverse stakeholders. The board and management should respect stakeholder rights and ethics, and lead in fostering a corporate culture.	100%	100%
P 2.1	Companies should establish business principles that aim to create value for various stakeholders while enhancing long-term corporate value.	100%	99.9%
P 2.2	Listed companies should establish and implement a code of conduct reflecting their values. The board should be responsible for drafting, revising, ensuring company-wide adherence, and compliance.	99.9%	99.6%
SP 2.2.1	The board should regularly review the implementation of the code of conduct, focusing on whether its principles and spirit are embedded in the corporate culture, rather than merely conducting a formal check.	99.8%	97.6%
P 2.3	Listed companies should appropriately address sustainability issues, including social and environmental matters.	99.8%	99.1%
SP 2.3.1	The board should recognize the importance of addressing sustainability issues and proactively consider measures to enhance long-term corporate value.	99.4%	97.1%
P 2.4	Companies should recognize that diverse perspectives and values are strengths for growth and promote internal diversity, including the active participation of women.	99.9%	99.3%
SP 2.4.1	Companies should disclose their policies, goals, and status for ensuring diversity in promoting women, foreign nationals, and mid-career hires to managerial positions. They should also disclose their human resource development and internal environment policies and their implementation status to enhance long-term corporate value.	81.2%	46.3%
P 2.5	Companies should establish a whistleblowing system that allows employees to report concerns without fear of disadvantageous treatment, ensuring proper verification and utilization of the information. The board should be responsible for setting up and overseeing this system.	100%	99.9%
SP 2.5.1	Listed companies should establish an independent whistleblowing hotline and ensure confidentiality and protection against disadvantageous treatment for informants.	99.5%	95.7%
P 2.6	Companies should improve and disclose efforts to enhance expertise and appoint qualified personnel for pension fund management, considering its impact on employee asset formation and company finances. They should also manage conflicts of interest between beneficiaries and the company.	98.5%	96.8%

Status of Response to Each Principle (4 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
GP 3	Listed companies should strive to appropriately disclose financial and non-financial information. The board should ensure that non-financial information is accurate, clear, and useful to facilitate dialogue.	100%	99.9%
P 3.1	In addition to legal disclosures, listed companies should proactively disclose the following to enhance decision-making transparency, fairness, and governance: (1) Business principles, strategies, and plans (2) Basic views and policies on governance (3) Policies and procedures for determining executive and director remuneration (4) Policies and procedures for the appointment and dismissal of executives and the nomination of directors and auditors (5) Explanations for individual appointments, dismissals, and nominations	98.6%	91.9%
SP 3.1.1	The board should ensure that disclosed information is not boilerplate or abstract, but rather specific and valuable to users.	99.9%	99.8%
SP 3.1.2	Listed companies should promote English disclosures within reasonable limits, considering the proportion of foreign investors. Prime Market companies, in particular, should disclose and provide necessary information in English.	96.6%	41.3%
SP 3.1.3	Listed companies should appropriately disclose their sustainability initiatives when revealing their management strategies. Investments in human capital and intellectual property should also be clearly and specifically disclosed, aligning with management strategies and challenges. Prime Market companies, in particular, should collect and analyze data on climate change risks and opportunities, enhancing the quality and quantity of disclosures based on the TCFD framework.	85.8%	70.5%
P 3.2	External auditors and listed companies should recognize the auditors' responsibilities to shareholders and investors and take appropriate actions to ensure proper audits.	100%	100%
SP 3.2.1	The audit committee should establish criteria for selecting and evaluating auditors, ensuring their independence and expertise.	99.8%	97.3%
SP 3.2.2	The board and audit committee should ensure sufficient audit time, access to management, coordination with relevant parties, and a response system for addressing misconduct or issues identified.	100%	99.9%

Status of Response to Each Principle (5 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
GP 4	The board should fulfill its roles and responsibilities, including setting strategic direction, supporting risk-taking, and independently overseeing management, to enhance growth, value, and profitability, regardless of organizational structure.	100%	100%
P 4.1	The board should focus on establishing business principles and strategic direction, engage in constructive discussions on management strategies, as well as make major operational decisions based on these strategies.	100%	99.9%
SP 4.1.1	The board should clearly define its own decision-making scope and the extent of delegation to management, as well as disclose a summary of these.	99.9%	99.6%
SP 4.1.2	The board and senior management should view the mid-term business plan as a commitment to shareholders and strive to achieve it. If unmet, they should analyze and explain the reasons and actions taken, reflecting these in the next plan.	94.4%	76.5%
SP 4.1.3	The board should actively engage in the development and implementation of CEO succession plans based on business principles and strategies. Additionally, it should ensure that successor development is conducted systematically with sufficient time and resources.	85.8%	55.0%
P 4.2	The board should create an environment that supports appropriate risk-taking by management, independently and thoroughly reviewing and supporting their proposals. Management remuneration should be designed to reflect long-term performance and risks, promoting entrepreneurial spirit.	98.1%	86.4%
SP 4.2.1	The board should design and determine management remuneration systems through objective and transparent procedures to serve as healthy incentives for growth. It should also appropriately set the proportion of long-term performance-linked remuneration and the balance of cash and stock rewards.	92.9%	64.9%
SP 4.2.2	The board should establish a basic sustainability policy to enhance long-term corporate value. It should also effectively oversee the allocation of management resources, such as investments in human capital and intellectual property, and the execution of business portfolio strategies to support growth.	95.6%	80.0%

Status of Response to Each Principle (6 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
P 4.3	The board should effectively oversee management from an independent and objective standpoint, reflecting performance evaluations in personnel decisions. It should also supervise and establish information disclosure, internal control, and risk management systems, and appropriately manage conflicts of interest.	99.9%	99.0%
SP 4.3.1	The board should appropriately execute the appointment and dismissal of senior management based on company performance evaluations, following fair and transparent procedures.	99.7%	96.3%
SP 4.3.2	Recognizing that the appointment and dismissal of the CEO is the most critical strategic decision, the board should select a qualified CEO through objective, timely, and transparent procedures, dedicating sufficient time and resources.	96.9%	84.0%
SP 4.3.3	The board should establish objective, timely, and transparent procedures for dismissing the CEO if performance evaluations indicate that the CEO is not adequately fulfilling their responsibilities.	95.4%	79.5%
SP 4.3.4	The board should establish appropriate internal controls and enterprise-wide risk management systems across the entire group to ensure compliance and support risk-taking. It should also oversee their operation, utilizing the internal audit department.	100%	99.8%
P 4.4	Auditors and the audit committee should make independent and objective decisions on audits and appointments, considering their fiduciary responsibilities. To fully perform their roles, including defensive functions, they should actively exercise their authority and express their opinions without narrowing their scope.	100%	100%
SP 4.4.1	The audit committee should enhance effectiveness by combining the independence of outside auditors with the information-gathering capabilities of full-time auditors. Additionally, it should ensure collaboration with outside directors to strengthen their information-gathering without compromising their independence.	99.9%	99.8%
P 4.5	Directors, auditors, and management should recognize their fiduciary responsibilities to shareholders and act in the interests of the company and shareholders while collaborating with stakeholders.	100%	100%
P 4.6	To ensure effective independent and objective oversight by the board, companies should consider utilizing directors who are not involved in business execution.	100%	99.6%
P 4.7	Independent outside directors are expected to advise on management policies, oversee management, monitor conflicts of interest, and represent stakeholder views independently in the boardroom. Listed companies should effectively utilize these directors, considering their roles and responsibilities.	99.9%	98.8%

Status of Response to Each Principle (7 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
P 4.8	Independent directors should contribute to growth and enhancing corporate value. Prime Market companies should appoint at least one-third (or at least two for others). If deemed necessary, a sufficient number should be appointed.	97.7%	84.7%
SP 4.8.1	Independent directors should actively contribute to discussions by exchanging information and sharing awareness from an independent standpoint, such as through regular meetings of independent directors.	97.7%	86.6%
SP 4.8.2	Independent directors should establish a framework for communication and coordination with management and collaboration with auditors, such as by appointing a lead independent director.	96.0%	81.7%
SP 4.8.3	Listed companies with a controlling shareholder should appoint at least one-third (or a majority for Prime Market) of their directors as independent directors or establish a special committee of independent directors to review significant transactions and actions that may involve conflicts of interest.	91.3%	73.9%
P 4.9	The board should establish and disclose independence criteria that emphasize substantive independence. It should also select independent director candidates who can contribute to frank and constructive discussions.	99.2%	95.1%
P 4.10	Listed companies should adopt the most suitable organizational structure for their characteristics and, if necessary, utilize optional mechanisms to enhance governance functions.	99.0%	91.7%
SP 4.10.1	If independent directors do not constitute a majority of the board, companies should establish nomination and remuneration committees primarily composed of independent directors to strengthen board independence and objectivity, considering diversity and skills. Prime Market companies should ensure that independent directors make up the majority of each committee and disclose the independence and composition of these committees.	90.0%	50.5%
P 4.11	The board should balance diversity and appropriate size, ensuring a mix of knowledge, experience, and skills. Auditors should have suitable experience and expertise in finance, accounting, and law, with at least one auditor having financial and accounting knowledge. The board should analyze and evaluate its overall effectiveness and strive for improvement.	94.9%	69.5%

(Note) The compliance rate for SP 4.8.3 is calculated using listed companies with controlling shareholders as the denominator.

Status of Response to Each Principle (8 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
SP 4.11.1	The board should identify the skills necessary for its management strategy and establish a view on the balance of knowledge, experience, skills, diversity, and size. It should disclose a skills matrix for each director along with nomination policies and procedures, including independent directors with experience in managing other companies.	96.2%	75.1%
SP 4.11.2	Directors and auditors should dedicate the necessary time and effort to fulfill their roles. Concurrent positions at other listed companies should be limited to a reasonable extent, and the status of such concurrent positions should be disclosed annually.	99.9%	99.9%
SP 4.11.3	The board should annually analyze and evaluate its overall effectiveness, considering self-evaluations from each director, and disclose a summary of the results.	95.2%	64.9%
P 4.12	The board should foster a culture that values free, open, and constructive discussions and exchanges of views, including those raised by outside directors.	100%	99.9%
SP 4.12.1	To enhance board deliberations, the board should ensure the advance distribution of materials, provide sufficient information, set annual schedules and agendas, optimize the number and frequency of agenda items, and allocate adequate time for discussions.	100%	99.4%
P 4.13	Directors and auditors should proactively gather information and request additional details as needed to fulfill their roles. Listed companies should establish support systems, and the board and audit committee should ensure the smooth provision of information.	100%	99.9%
SP 4.13.1	Directors, including outside directors, should request additional information from the company when necessary for transparent and timely decision-making. Auditors, including outside auditors, should appropriately gather information using their statutory investigation powers.	100%	100%
SP 4.13.2	Directors and auditors should consider seeking advice from external experts at the company's expense when they deem it necessary.	100%	100%
SP 4.13.3	Listed companies should establish a system where the internal audit department reports directly to the board and audit committee, ensuring coordination. They should also implement measures to accurately provide necessary information to outside directors and outside auditors.	99.9%	99.3%
P 4.14	Directors and company auditors should deepen their understanding of their roles and acquire necessary knowledge. Listed companies should provide and support tailored training opportunities and expenses, and the board should ensure the adequacy of these measures.	99.6%	97.8%

Status of Response to Each Principle (9 of 9)

(Note) GP: General Principle, P: Principle, SP: Supplementary Principles

Principles	Content	Compliance rate	
		Prime	Standard
SP 4.14.1	Directors and company auditors, including outside ones, should have opportunities to understand the company's knowledge and their roles and responsibilities upon appointment. They should also have ongoing opportunities to update their knowledge and understanding as needed after appointment.	99.9%	98.4%
SP 4.14.2	Companies should disclose their training policy for directors and company auditors.	99.3%	93.6%
GP 5	Listed companies should engage in constructive dialogue with shareholders outside of general meetings to aim for growth and enhanced corporate value. Management and directors should listen to shareholders, clearly explain business policies, and strive for balanced understanding and appropriate responses.	100%	99.9%
P 5.1	Listed companies should positively respond to shareholder requests for dialogue within reasonable limits. The board should establish, approve, and disclose policies and structures to promote such dialogue.	99.9%	97.9%
SP 5.1.1	Considering shareholder preferences and interests, senior management and outside directors should, within reasonable limits, primarily engage in meetings with shareholders.	99.6%	99.1%
SP 5.1.2	The policy for shareholder dialogue should include at least the following: (1) Designation of senior management or other executives responsible for overseeing and ensuring constructive dialogue. (2) Measures for organic coordination between departments such as IR. (3) Efforts to enhance various dialogue methods beyond individual meetings. (4) Effective feedback mechanisms for conveying shareholder opinions and concerns to management and the board. (5) Insider information management measures.	99.8%	98.0%
SP 5.1.3	Listed companies should strive to understand their shareholder structure as necessary. It is desirable for shareholders to cooperate with these efforts as much as possible.	100%	99.5%
P 5.2	When formulating and announcing management strategies and plans, companies should understand their cost of capital and present basic policies and targets for profitability and capital efficiency. They should also clearly explain the allocation of management resources, such as business portfolio reviews and various investments, to shareholders in an understandable manner.	94.3%	68.1%
SP 5.2.1	When formulating and announcing management strategies, listed companies should clearly present the board's business portfolio policies and any review status in an understandable manner.	92.9%	82.4%



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