

Secretariat Briefing Pack – Data

February 26, 2026



金融庁

Financial Services Agency, the Japanese Government

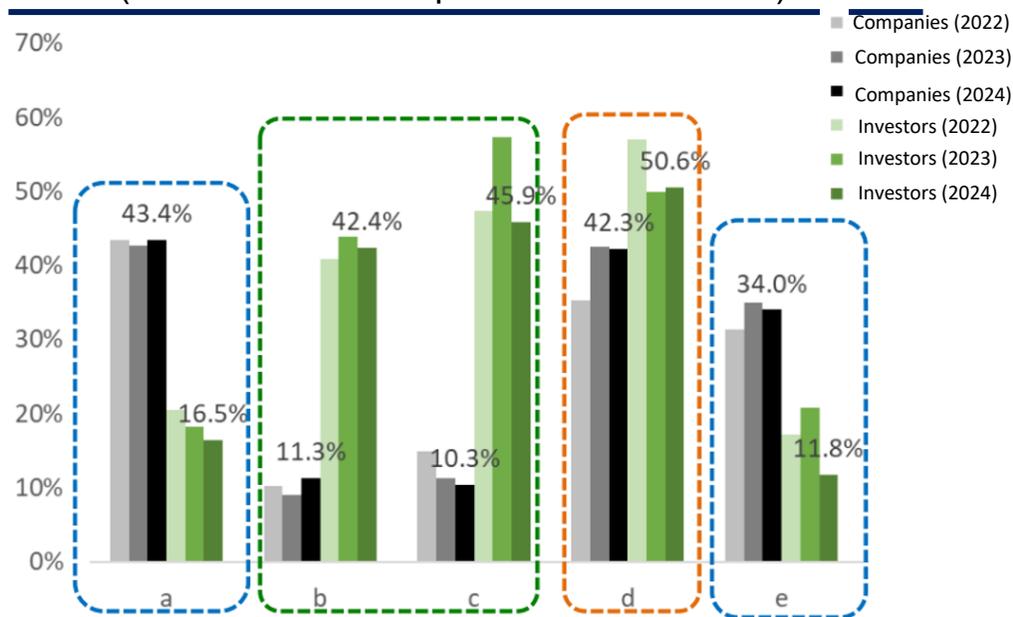
Dialogue with Shareholders

- There is an increasing trend in opportunities for dialogues between companies and shareholders. However, many investors point out **insufficient involvement by management in these dialogue, as well as inadequate sharing of the dialogue's content within the management team.**
- Conversely, companies highlight issues in investors' approach to dialogue, **including a tendency to focus on minor details and short-term performance, and to engage primarily in information-gathering rather than in discussions aimed at enhancing corporate value.**

Status of Engagement by Asset Managers Entrusted by GPIF



Issues in Dialogue with Shareholders by Companies (Awareness of companies and investors)



- a. Lack of resources and personnel available for dialogue
 - b. Top management, including the CEO, is not engaged in the dialogue (※)
 - c. Insufficient sharing of dialogue content among management
 - d. Insufficient disclosure of information to support dialogue, including improvement policies and plans based on dialogue outcomes (※)
 - e. Improvement of the skills and knowledge of personnel involved in dialogue
- (※) Revised from the 2023 items “b. CEO is not engaged in the dialogue” and “d. Disclosure of information to serve as material for dialogue is insufficient.”

(Number of responses)[Company]2024: 435, 2023: 445, 2022: 462
(Number of responses)[Investor]2024: 85, 2023: 82, 2022: 93

[Source] Compiled by the FSA from “The result in the questionnaire survey of initiatives to improve corporate value in 2024” (The Life Insurance Association of Japan)

[Note] To avoid formalistic meetings, GPIF does not evaluate asset managers solely based on the number of engagements. This chart may fluctuate depending on changes in the asset managers entrusted by GPIF.

[Source] “Stewardship Activities Report 2024-2025” (GPIF)

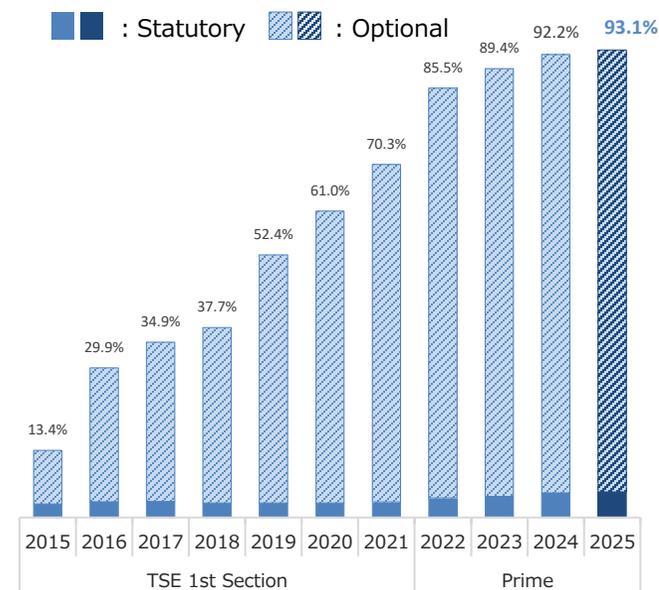
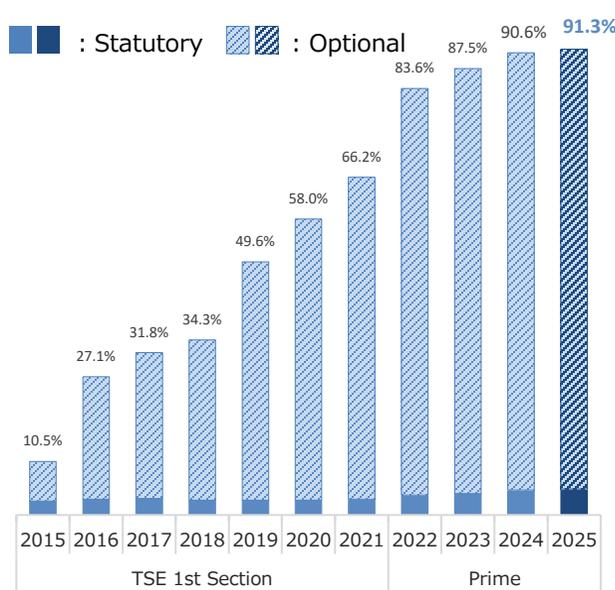
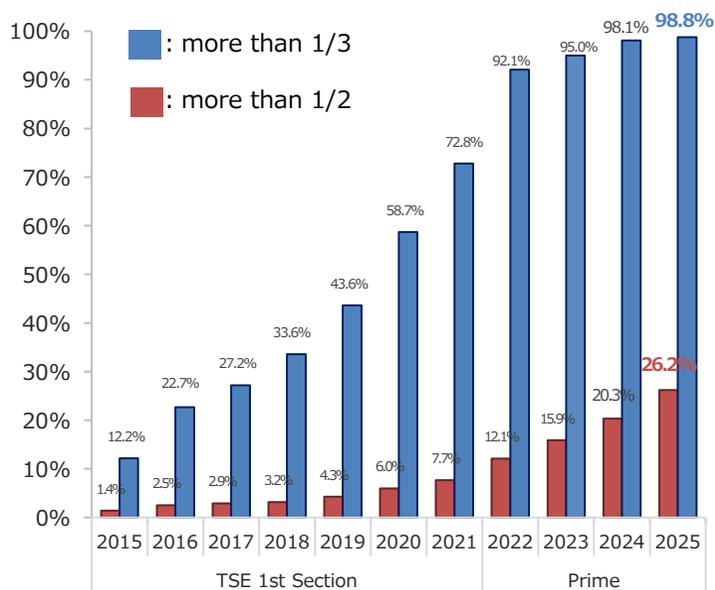
Status of Independent Directors, Nominating and Remuneration Committees

- The progress in the corporate governance structure of listed companies as of July 2025.
 - In **almost all companies listed on the Prime Market (98.8%), at least one-third of their directors are independent directors**. Meanwhile, the number of companies in which independent directors constitute a majority is increasing, but remains at **26.2%** as of 2025.
 - More than 90% of companies listed on the Prime Market have established **nomination committees (91.3%)** and **compensation committees (93.1%)**.

Companies with independent directors accounting for more than 1/3 or 1/2 of all their directors

Companies with a statutory/optional nomination committee

Companies with a statutory/optional compensation committee

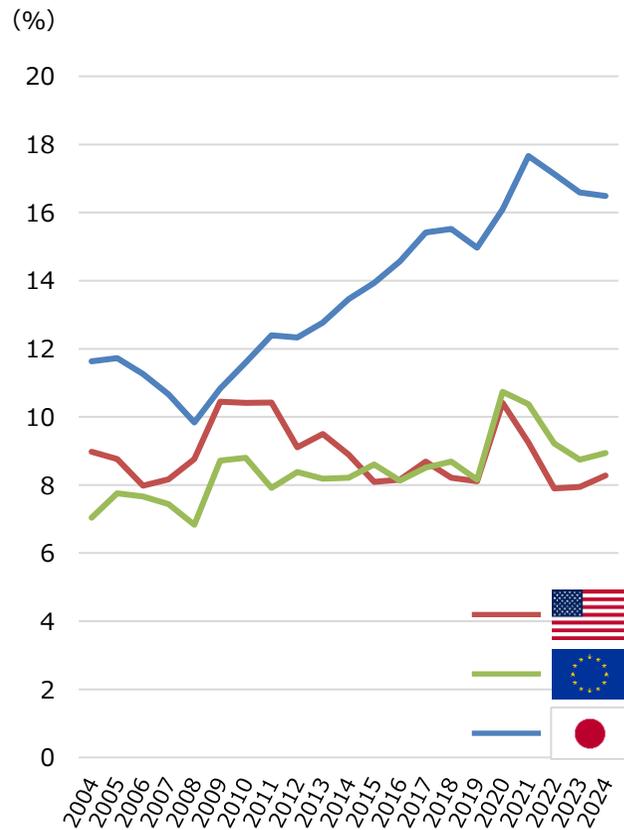


[Source] Compiled by the FSA based on "Appointment of Independent Directors and Establishment of Nomination and Remuneration Committees by TSE-Listed Companies" (July 18, 2025)(Tokyo Stock Exchange, Inc.)

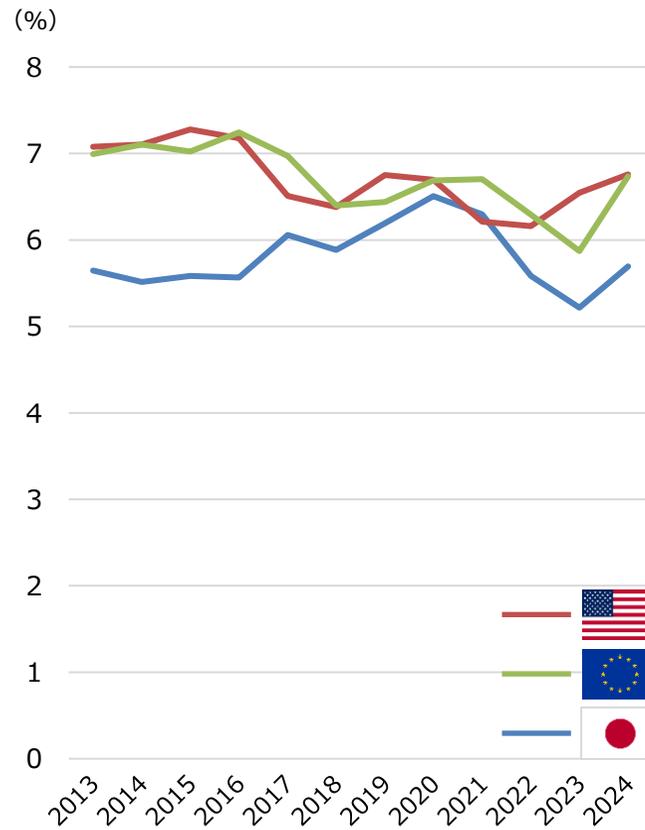
Trends in Corporate Cash, Deposits and Investments

- ❑ The cash and deposits held by Japanese companies have been consistently increasing for a long time.
- ❑ However, it has been noted that there is potential to improve resource allocation to achieve sustainable growth.

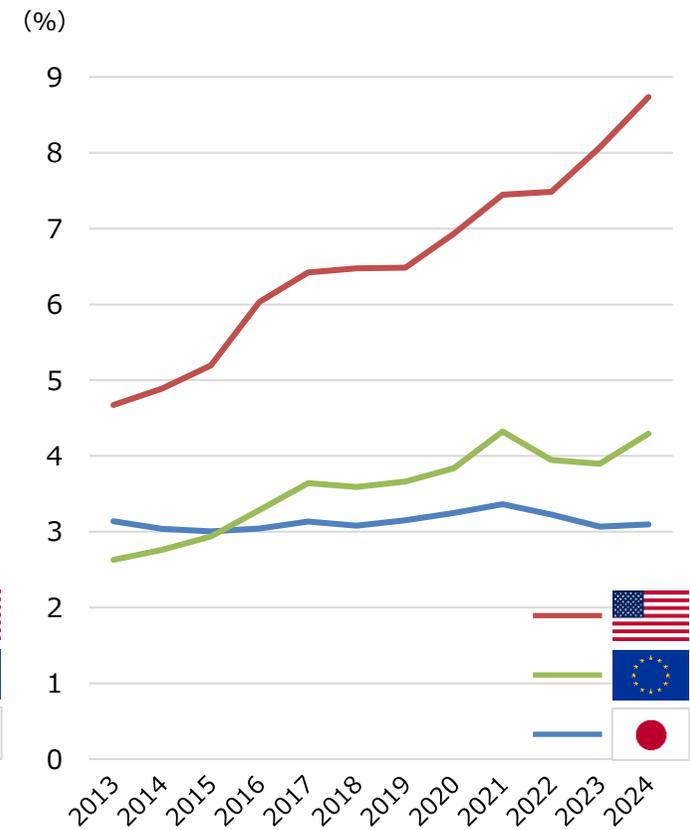
Ratio of Cash and Deposits to Total Assets



Ratio of Capital Investment to Sales



Ratio of R&D Expenses to Sales



[Note] Figures are calculated after excluding companies classified as "financial" from the list of companies included in the TOPIX500, S&P500, and BE500 indices.

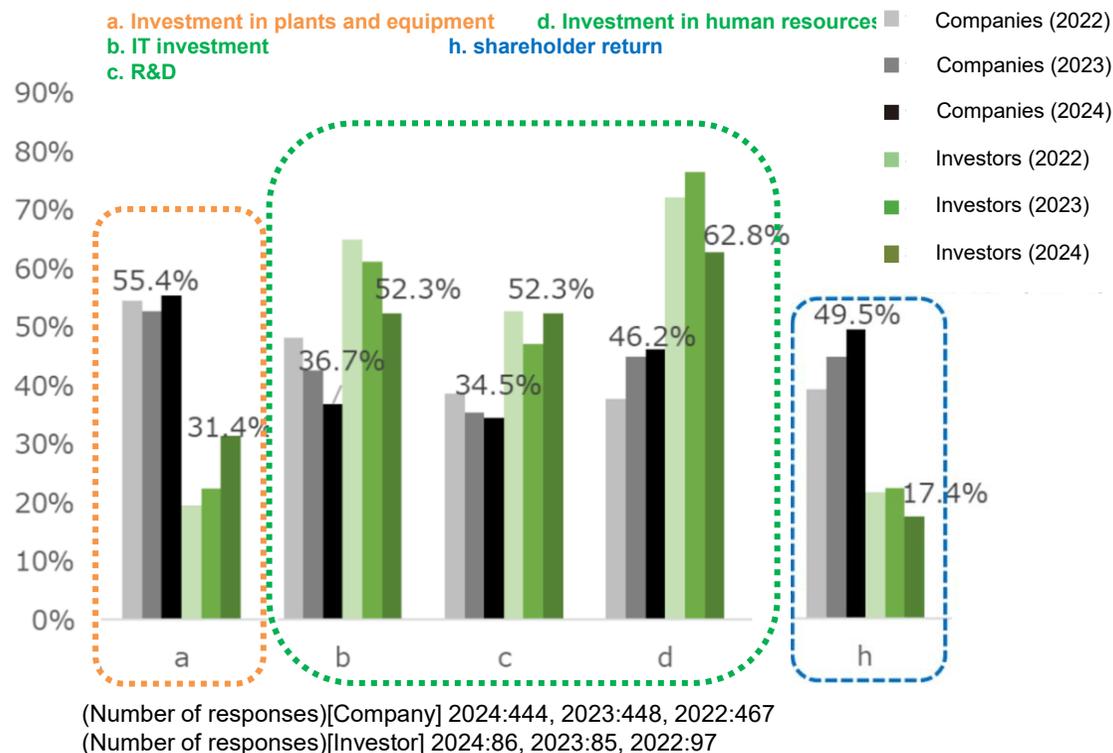
"Ratio of cash and deposits to total assets" is calculated as (cash and cash equivalents) / total assets. "Cash and cash equivalents" refers to "cash on hand and bank deposits. Includes short-term investments with a maturity of less than 90 days. If not disclosed separately, this may include marketable securities and short-term investments with a maturity of more than 90 days. Restricted deposits are excluded (restricted deposits are included in other liquid assets) ."

[Source] Compiled by the FSA from Bloomberg.

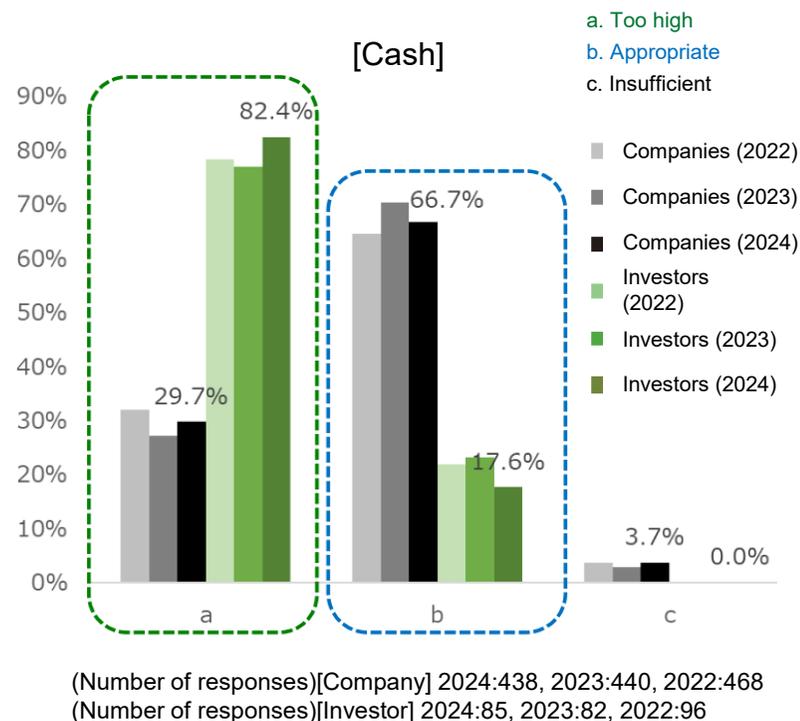
Perception Gap Between Companies and Investors on Dialogue

- Regarding mid- to long-term investments and financial strategies, **companies tend to place greater emphasis on capital investment in plants and equipment compared with investors.** Conversely, **investors place relatively more emphasis than companies on IT investment, R&D and investment in human resources.**
- Many companies consider their current level of cash reserves to be appropriate, while **investors tend to view these reserves as higher than necessary.**

Important Factors in Mid- to Long- Term Investment and Financial Strategies for Companies and Investors



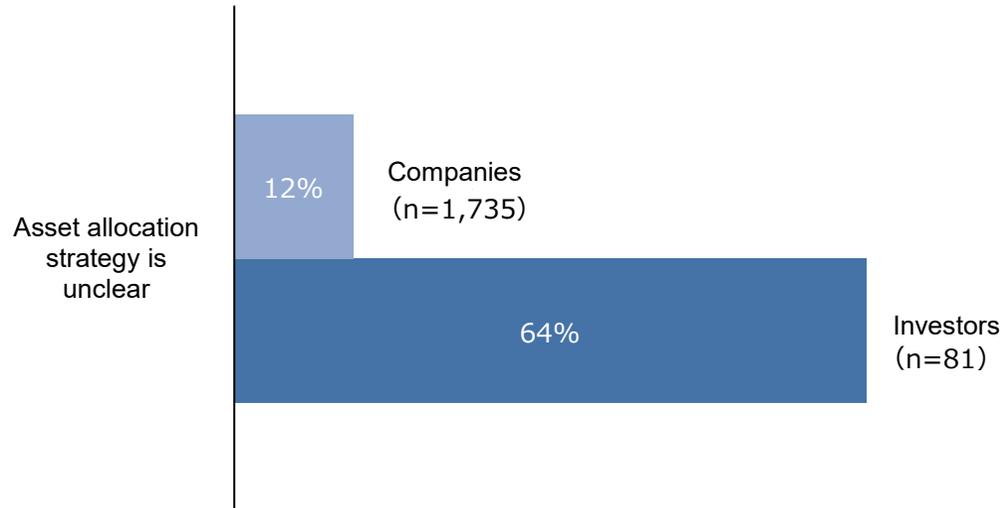
Perception Gap Between Companies and Investors on Appropriate Cash-Reserve Levels



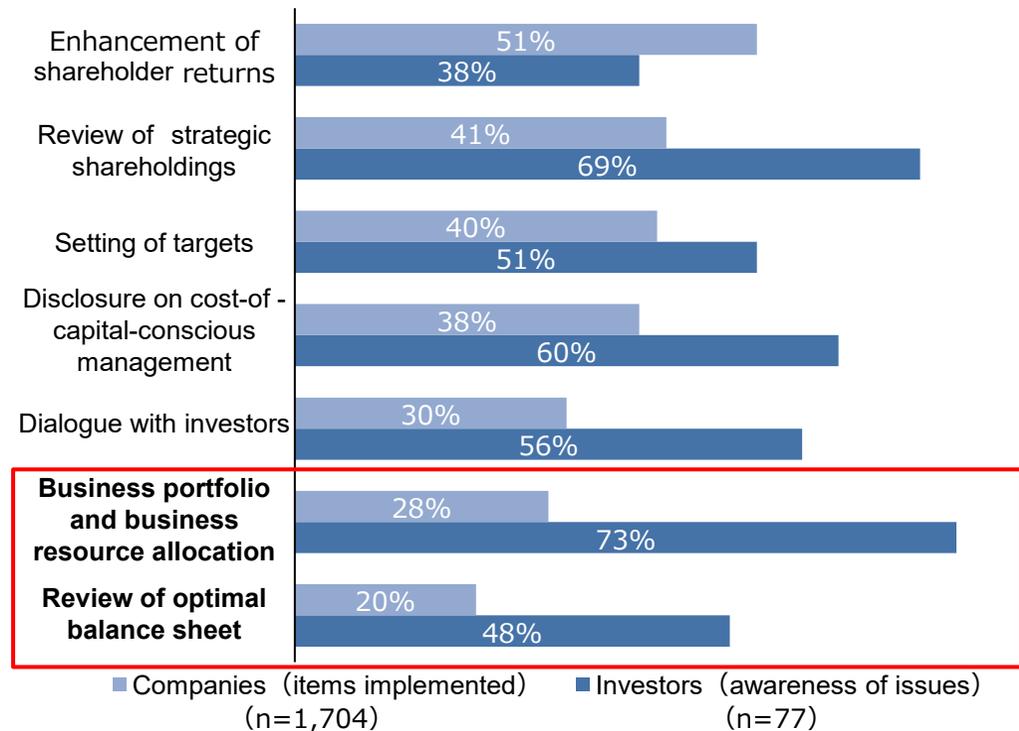
Perception Gap Between Companies and Investors Related to Allocation of Business Resources

- There is a **gap between companies and investors** in their awareness of issues related to business resources allocation.
- Companies have implemented various measures to optimize the allocation of business resources. However, many companies have not taken steps such as **reviewing the optimal balance sheet or reviewing their business portfolio and business resource allocation** from the perspective of the cost of capital and capital efficiency, areas that **many investors consider important**.

Issue Recognition toward
Effective Business Portfolio Management



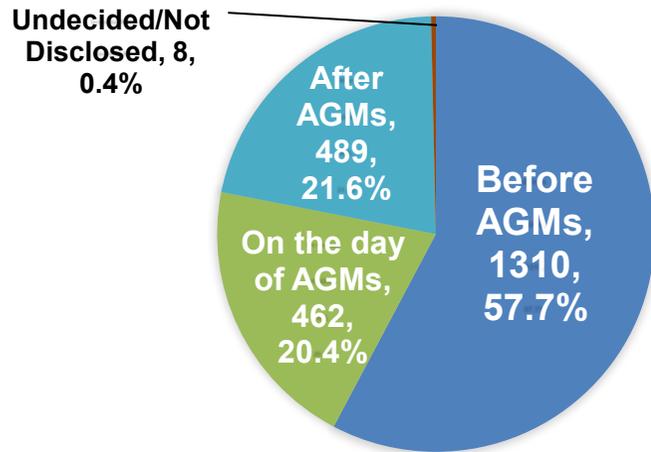
Companies' Initiatives from the Perspective of the
Cost of Capital and Investor's Issue Recognition



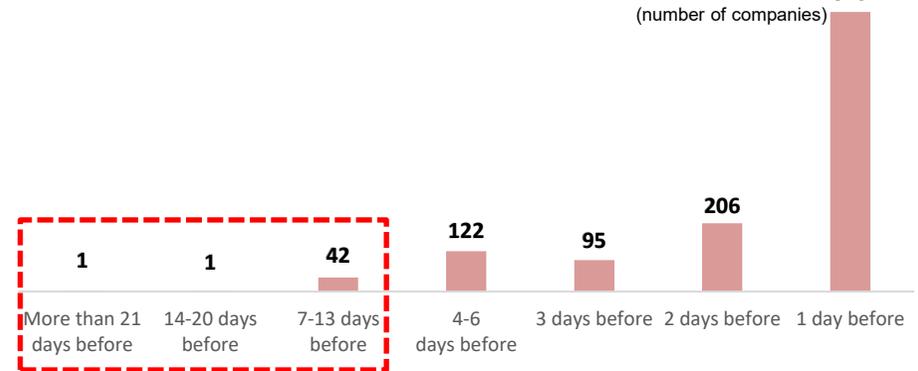
Disclosure of Annual Securities Reports Before AGMs (FYE March 2025)

- Upon the minister's request, the ratio of companies that **disclosed their Annual Securities Reports (ASRs) before their Annual General Meetings (AGMs) increased significantly to 57.7%**, compared with 1.8% in the previous fiscal year, among listed companies with a fiscal year ending in March.
- By market, **69.9% of Prime listed companies disclosed their ASRs before their AGMs.**
- Although, many companies disclosed only a few days before AGMs, **the number of companies that disclosed more than one week in advance increased to 44**, up from 11 in the previous fiscal year.
- Among Nikkei 225 listed companies, 81.2% disclosed their ASRs before their AGMs (compared with 10.5% in the previous fiscal year).

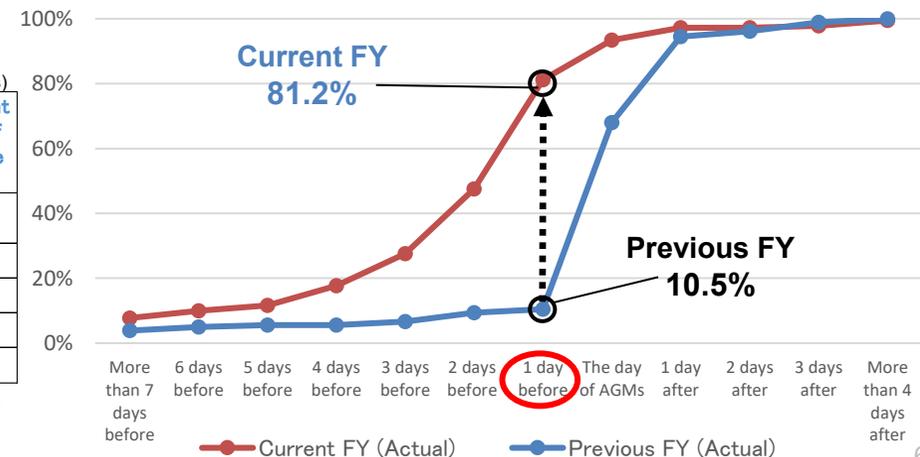
[Timing of Disclosing ASRs]



[Status of Disclosing Before the AGMs (by Days)] 843 (number of companies)



[Cumulative Rate of Disclosing ASRs] (Nikkei 225 Companies - FYE March)



[Disclosure Before the AGMs (by market)]

(number of companies)

	More than 21 days before	14-20 days before	7-13 days before	4-6 days before	3 days before	2 days before	1 day before	Before AGMs	The day or after AGMs	Total	Percent age of Before AGMs
Companies with FYE March	1	1	42	122	95	206	843	1,310	951	2,269	57.7%
Prime Market	1	1	33	81	62	138	460	776	336	1,115	69.6%
Standard Market	0	0	7	32	23	62	311	435	482	922	47.2%
Growth Market	0	0	1	7	8	5	52	73	105	178	41.0%
Other Markets	0	0	1	2	2	1	20	26	28	54	48.1%

(Note) The "Total" column includes companies that have not disclosed ASRs as of the aggregation date. Companies with special circumstances are excluded from the figures "Before AGMs".

(Source) ASRs and extraordinary reports of listed companies with FY ending March 31. Aggregated as of the end of June 2025.

Organizational and Structural Arrangement of the Board Secretariat

- ❑ In practice, the scope of the board secretariat's responsibility varies among companies. In many Japanese companies, a function of **supporting the board is divided among multiple divisions**, resulting in **limited coordination when operating the boardroom**.
- ❑ In the U.K., the appointment of a “company secretary” is required under the Companies Act. **Company secretaries oversee matters related to corporate governance and coordination between oversight and executive functions**. In many companies, this role is filled by personnel from the legal division or by legal professionals.
- ❑ Some Japanese companies have implemented measures to strengthen the functions of the board secretariat to improve the effectiveness of board operation. These measures include reorganizing the board secretariat's position within the corporate structure during organizational reforms and enhancing coordination among relevant divisions.

Organizational structure of the board secretaries

In our company, the **Corporate Governance Office** serves as the board secretariat. It **was established in conjunction with changes in the board structure last year**, having previously been handled by the Legal Department. The Corporate Governance Office also acts as the secretariat for the nomination committee, remuneration committee, audit committee, and management committee. Positioned directly under the president, it **fulfills the role of corporate secretary—bridging supervisory and executive functions and driving governance reform**. Coordination between the board secretariat and senior management, including the chair and president, has also been further strengthened.

Before the changes in board structure, secretariat functions for each meeting body were dispersed across different departments, limiting effective coordination. **Integrating these functions into a single secretariat has enabled unified and consistent operations**. For example, meeting management practices—such as how meetings were convened and conducted—previously differed by department. Consolidation made these differences visible, allowing **for standardization and streamlining of meeting operations**.

Secretariat staff members in the Corporate Governance Office are **cross-assigned to other departments**. This arrangement enables them to stay informed of recent developments, not only in the board but also across all committees and the management committee, thereby strengthening coordination with corporate planning.

The board secretariat strives to develop a deep understanding of the company's business and fulfill its role in supporting independent directors. To that end, it works continuously to serve as **a hub for relevant departments**, organize essential information, and refine materials to enhance the quality and effectiveness of board discussions

Skills Necessary for Enhancing Board Effectiveness

- ❑ In Japan, companies commonly disclose director skill sets through a board skills matrix.
- ❑ A study shows that Prime listed companies typically identify an average of 7.9 skills. According to the study, individual directors, both inside and outside, are generally assigned 3 to 4 skills on average, although some companies disclose as many as 10 skills per director.
- ❑ In addition, 17.2% of listed companies disclose the definitions of these skills and the rationale for selecting them.

Disclosure of a Board Skills Matrix on Convocation Notice of the General Meeting of Shareholders

(i) Number of Skills Selected

	Number of skill items			
	Minimum	Maximum	Average	Median
The Prime listed companies (327 Companies)	4	31	7.9	8

(ii) Comparison of number of director skills

	Number of People	Number of director skills			
		Minimum	Maximum	Average	Median
2021					
Inside Director	1,740	1	10	3.4	3
Outside Director	1,266	1	9	2.9	3
Male Director	2,869	1	10	3.3	3
Female Director	137	1	6	2.7	2
Total	3,006	1	10	3.2	3
2024					
Inside Director	1,801	0	10	3.8	4
Outside Director	1,733	1	9	3.2	3
Male Director	2,894	0	10	3.6	4
Female Director	640	1	8	3.0	3
Total	3,534	0	10	3.5	3

[Note] (i) and (ii) analyze companies that state skill matrices in their convocation notices in both 2021 and 2024, out of the Prime listed companies (total of 1,644) as of the end of June 2024

(iii) Percentage of Companies Disclosing Definitions and Rational for Selecting Skills

	Number of companies surveyed	Number of companies disclosing	Disclosure rate
2024	1,504	259	17.2%
Disclose from 2021	327	83	25.4%

[Note] (iii) analyzes companies that state skill matrices in their convocation notices in 2024, out of the Prime listed companies (total of 1,644) as of the end of June 2024

(iv) Disclosure of Rational Behind Selecting Skills

	Japan	US	Europe
Target	TOPIX Core30	DOW 30	Top 10 companies by market capitalization in the UK, France, and Germany
Number of companies surveyed	27	29	17
Number of companies disclosing	10	21	3
Disclosure rate	37.0%	72.4%	17.6%

[Note] (iv) is based on proxy statements and annual reports of companies in Dow 30 indices and the top 10 companies by market capitalization in the UK, France, and Germany as of June 2024.

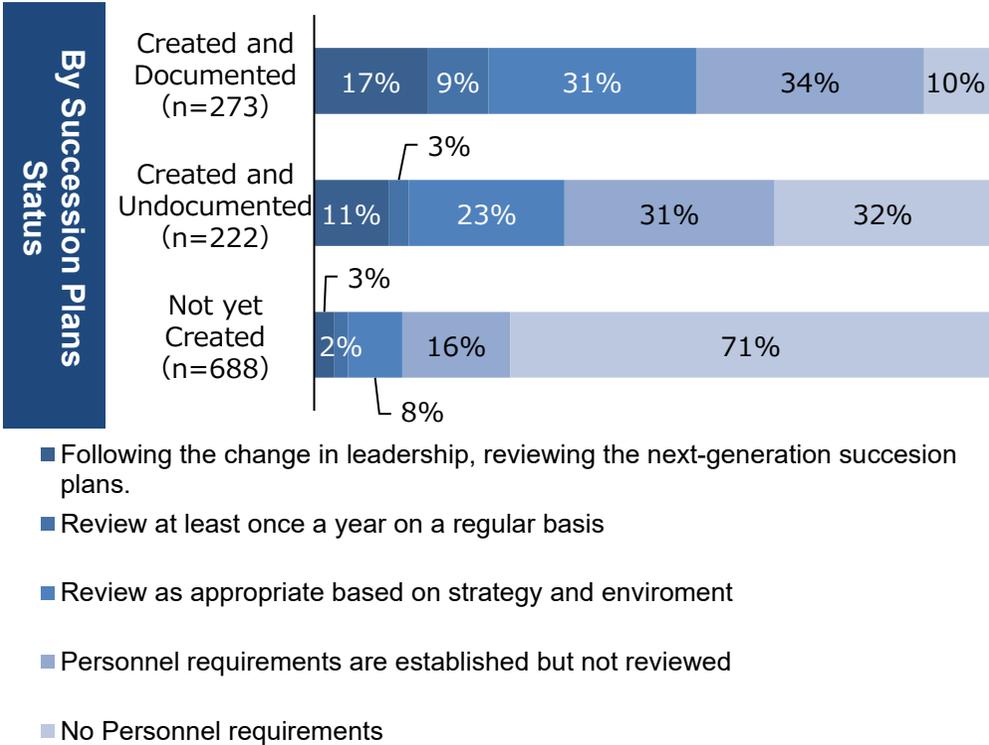
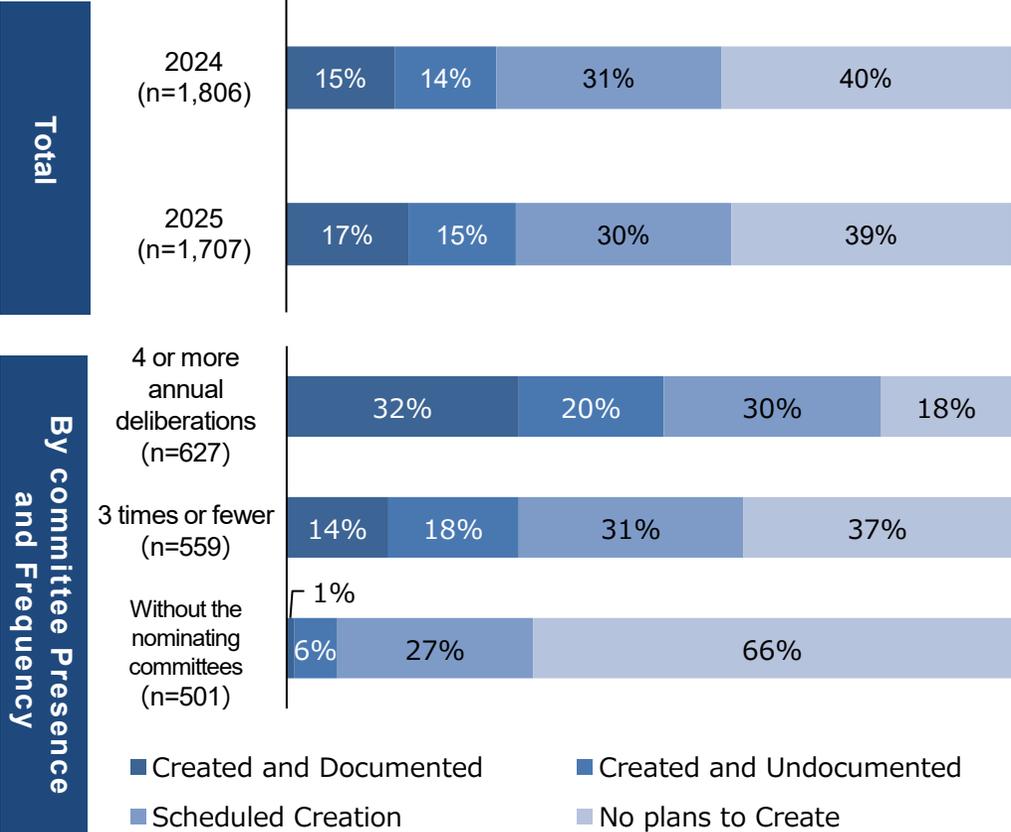
[Source] Compiled by the FSA based on data provided by Tsumuraya member

Selection of the CEO

- There is an **increasing trend** in the number of companies developing succession plans.
- Companies** whose nominating committees engage in **repeated discussions on succession planning** are more likely to **make progress in creating and documenting these plans**. In addition, companies that have already created and documented succession plans **tend to review CEO requirements more frequently**.

Status of Succession Plan Development

Review of CEO Requirements



[Source] Compiled by the FSA based on data provided by Sumitomo Mitsui Trust Bank (data collected by them in their "Corporate Governance Survey 2025")

Evaluation of Board Effectiveness

- ❑ 95% of Prime listed companies and 64.9% of Standard listed companies comply with Supplementary Principle 4.11.3 regarding the evaluation of board effectiveness. **Evaluations of board effectiveness have now become a prevailing practice.**
- ❑ There are various approaches for evaluation. Keywords appearing in the CG reports related to the evaluation process are (i) “Questionnaires (surveys, etc.)” at 77.2% (most frequent), (ii) “Self-Assessment” at 36.1% and (iii) “External evaluation (third party institutions, lawyers, etc.)” at 27.1%.
- ❑ Regarding the “Summary of Evaluation Results,” many companies simply state that “the board effectiveness is sufficient.” However, some companies go further by **disclosing identified issues and outlining initiatives to improve board effectiveness.** How companies utilize evaluation results to enhance board effectiveness remains an important point of focus.

Statements on Evaluation of Board Effectiveness on Corporate Governance Reports

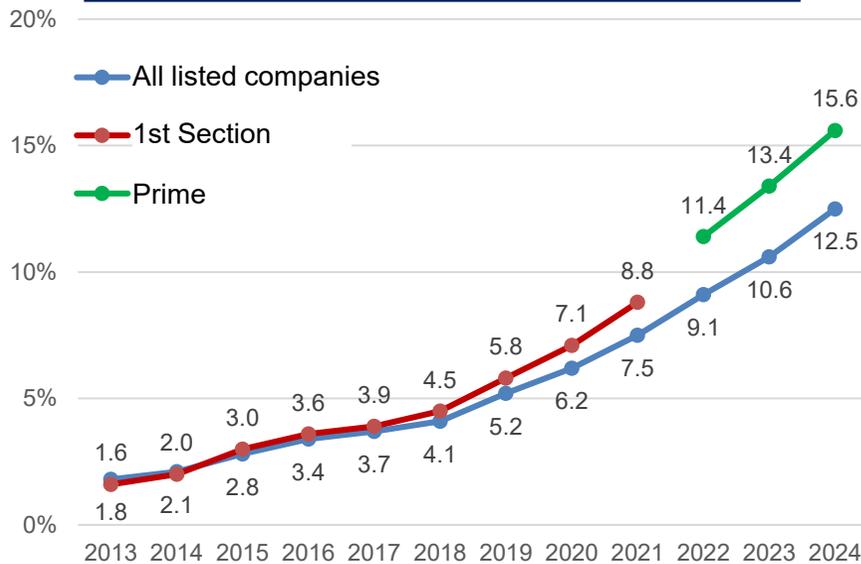
Keywords Related to the Evaluation Process	Number of companies	Percentage*
Questionnaires, etc. (surveys, etc.)	2,009	77.2%
Self-assessment	940	36.1%
Hearings, etc. (interviews, hearings, etc.)	291	11.2%
External evaluation, etc. (third party institutions, lawyers, etc.)	706	27.1%

* Calculated as the percentage of companies, out of the 2,603 companies listed on the Prime and Standard Markets that complied with Supplemental Principle 4.11.3, treating this group as 100%.

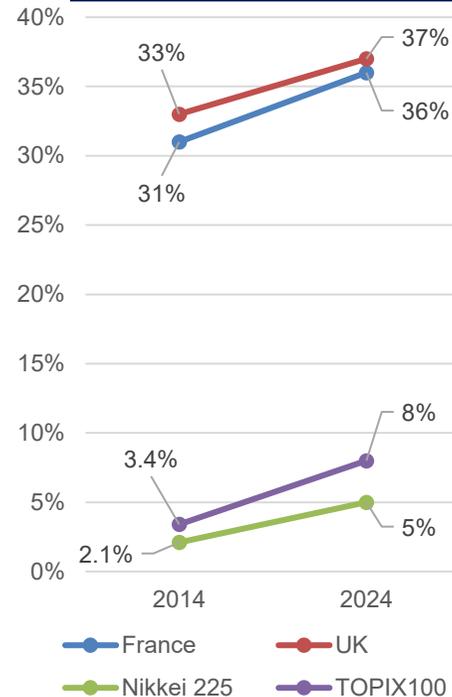
Diversity

- ❑ The ratio of women directors and executives has increased to 12.5% across all listed companies and to 15.6% in Prime listed companies.
- ❑ The ratio of foreign directors has also risen—from 2.1% to 5% in Nikkei 225 companies and 3.4% to 8% in TOPIX 100 companies, **although these levels remain low compared with other jurisdictions.**
- ❑ The percentage of companies engaging in lateral hiring temporarily declined during the Covid-19 period but has generally been on an upward trend.

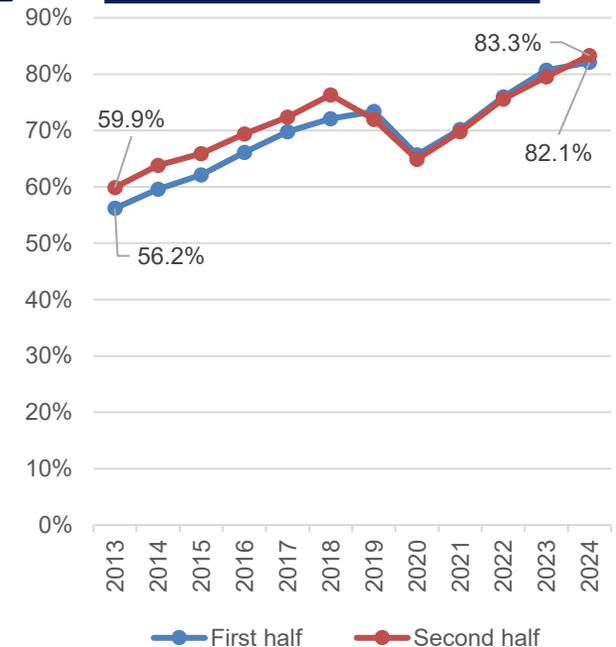
Ratio of Women Directors and Executives



Ratio of Foreign Directors



Ratio of Companies Conducting Lateral Hiring



[Note] TOPIX 100: as of the end of October/The others: as of the end of July
 [Note] The survey covers directors, *kansayaku*, and executive officers.

[Source] Compiled by the FSA based on “Japan Spencer Stuart Board Index 2014 and 2024”(Spencer Stuart)

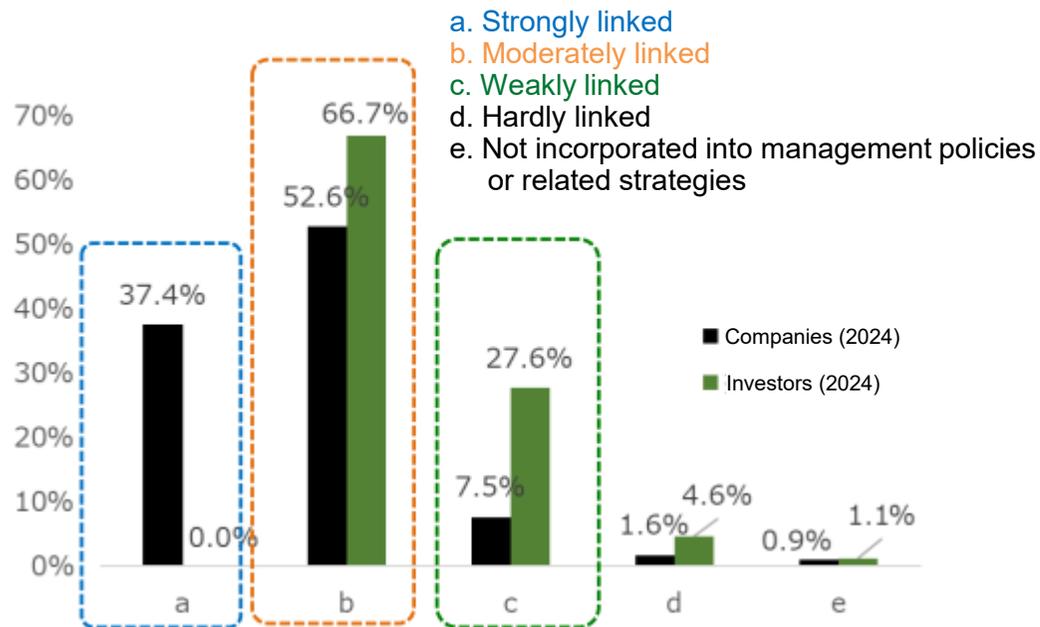
[Source] Compiled by the FSA based on the “Mid-Career Recruitment Survey” by Recruit Works Institute, Indeed Recruit Partners Inc.

[Source] Compiled by the FSA based on “Trends in the Ratio of Female Directors and executives in Japan” (Cabinet Office), originally derived from “Yakuin Shikiho” (Toyo Keizai Inc.)

Linking Sustainability Initiatives and Business Plans

- Many companies believe that their ESG initiatives are linked to their business plans. However, **many investors believe that the ESG initiatives of Japanese companies are not sufficiently linking with their business plans.**

Linkage Between ESG Initiatives and Business Plans
(Awareness of Companies and Investors)



(Number of responses)[Company] 2024:438, 2023:440, 2022:468

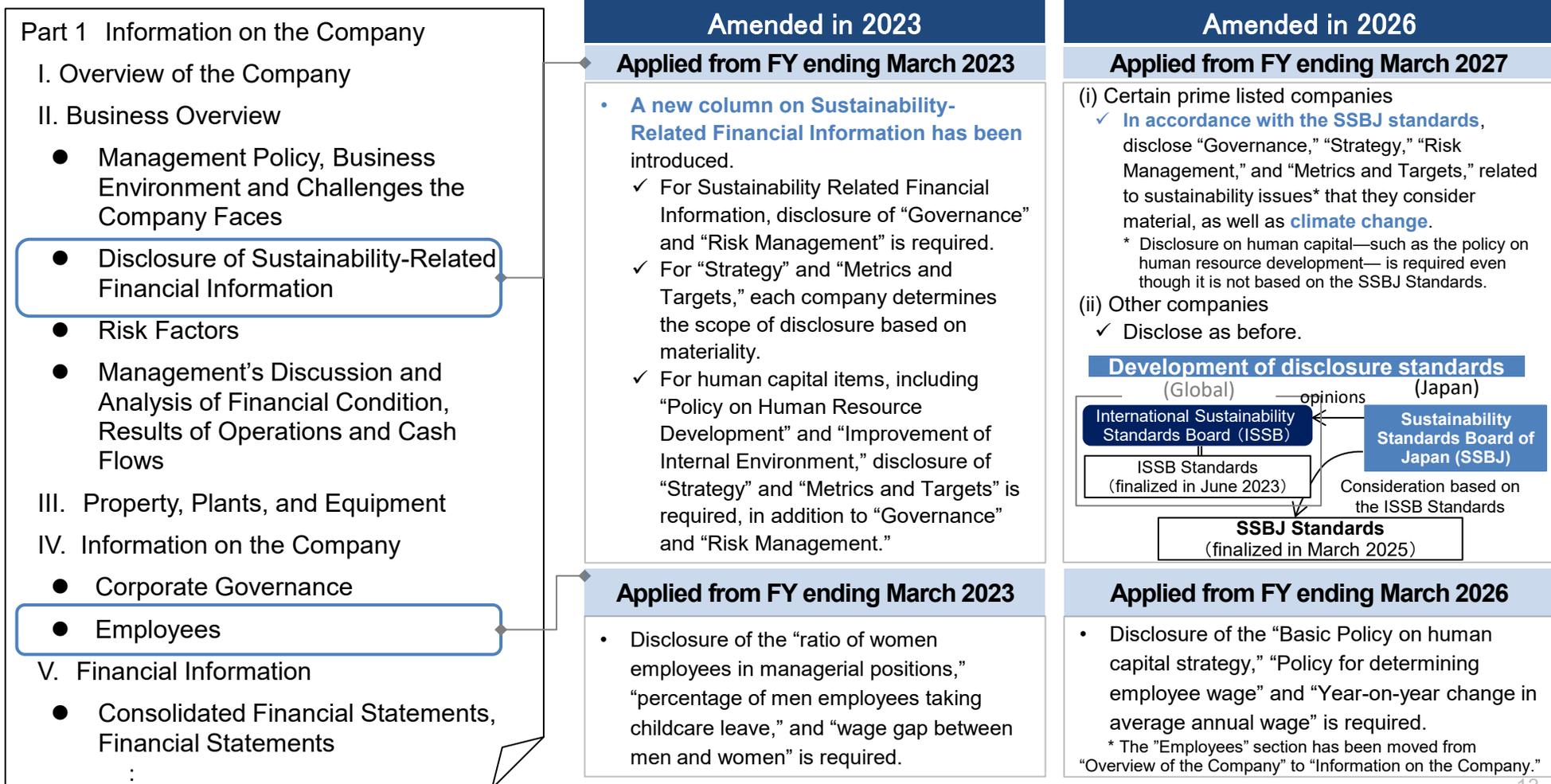
(Number of responses)[Investor] 2024:85, 2023:82, 2022:96

[Source] "The Result in the Questionnaire Survey of Initiatives to Improve Corporate Value in 2024" (The Life Insurance Association of Japan)

Progress on Disclosure in Sustainability Information

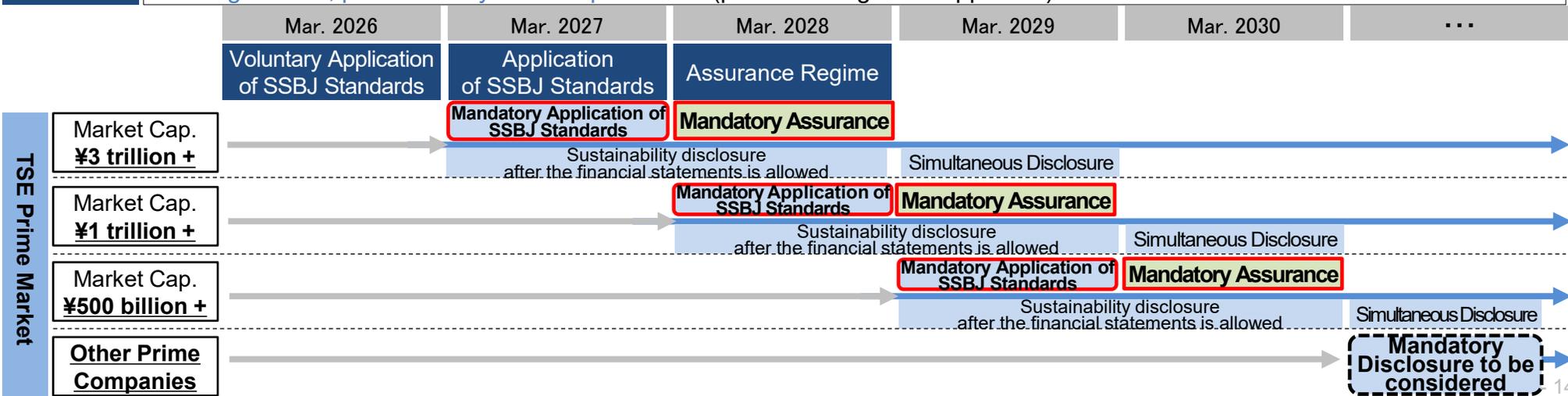
- In line with the interim report by the Working Group on Disclosure and Assurance of Sustainability-Related Financial Information (published in July 2025), disclosure rules were amended in February 2026. To enhance **comparability**, **Prime listed companies with larger market capitalization will be required to prepare their annual securities reports in accordance with the SSBJ Standards**, established by Sustainability Standards Board of Japan, beginning with fiscal year ending March 2027.
- In addition, new disclosure items related to human capital, including information on employees, have been added.

Annual Securities Report (Major items)



Roadmap For Sustainability Disclosure Standards and Assurance

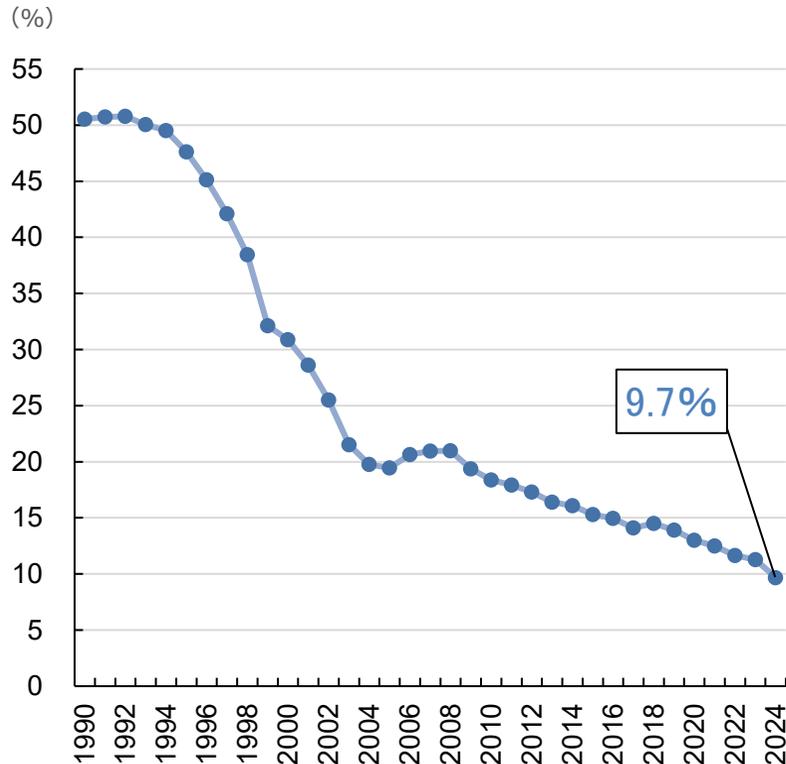
Background and Issues	<ul style="list-style-type: none"> ❑ Sustainability information is increasingly important for investors when assessing corporate value over the mid- to long-term. Internationally, the sustainability disclosure standards (ISSB Standards) were developed in June 2023. Also, Japanese sustainability disclosure standards (SSBJ standards) were developed in March 2025. ❑ Although listed companies are mandated to disclose sustainability information in Japan, improving comparability and utility of this information is still needed. In addition, assurance is not mandated, so investor protection and credibility need to be ensured.
Application of Disclosure Standards	<ul style="list-style-type: none"> ❑ Prime market-listed companies that promote constructive dialogue with global investors, will be required to prepare their annual securities reports in accordance with the SSBJ Standards, starting with companies that have larger market capitalization. ❑ Application schedule based on market capitalization of prime market-listed companies: <ul style="list-style-type: none"> i. ¥3 trillion or more: Fiscal year ending March 2027 ii. Between ¥1 trillion and ¥3 trillion: Fiscal year ending March 2028 iii. Between ¥500 billion and ¥1 trillion: Fiscal year ending March 2029 <p>(Note1) Application timing for other prime listed companies will be determined later, based on disclosure practice and investor needs. (Note2) Market capitalization will be calculated using the average of the last five fiscal year-ends, dating from previous fiscal year-ends.</p> ❑ As transition relief, an entities are allowed to report sustainability disclosures after reporting financial statements for two years.
Assurance	<ul style="list-style-type: none"> ❑ Mandatory assurance will begin one year after the mandatory application of the sustainability disclosure standards. ❑ The assurance scope will be limited for the first two years (expansion of the scope after the third year will be considered based on international practices.) ❑ Assurance providers must be registered and must be a corporation. Both audit firms and other entities may be eligible for registration, provided they meet requirements.(profession-agnostic approach)



Major Issues Related to Strategic Shareholding

- ❑ **A declining trend** in strategic shareholding has been observed; however, the following issues were identified in the review of Annual Securities Reports (FY 2024).
- ❑ During the review process, several cases were found in which **some issuing companies exerted “pressure not to sell” on companies holding their shares as strategic shareholdings, by implying potential reduction in existing business transactions if the shares were sold.**

Ratio of Strategic Shareholdings
(Market Capitalization Basis)



[Note] The ratio of shares (market value) of listed companies held by other listed companies to the total market capitalization of the market. It only includes shareholdings for purposes other than investment.

[Source] Nomura Institute of Capital Markets Research

Issues Found in the Review of Annual Securities Reports

- iv. **The purpose of holding strategic shareholdings is not specifically described** by brand (if there are business transactions or a business alliance between the reporting company and the issuer, an overview of these facts should be provided).
- v. If the purpose of holding each strategic shareholding is to secure stable shareholders, **that purpose is not described.**
- vi. There is **a gap between the disclosure regarding the board’s verification of the appropriateness of holding strategic shareholdings and the actual situation.**
- vii. When it is **difficult for the companies to describe the quantitative effectiveness of each strategic shareholdings by brand, the explanation of how they verify the rationality of their shareholdings is unclear.**
- viii. Some companies have declared a policy to reduce their strategic shareholdings and **have reclassified them as pure investment in their annual securities reports without reaching agreements with issuers** on sellable periods. As a result, **the actual situation remain unchanged, with the companies continuing to hold strategic shareholdings.**
- ix. Some companies have declared a policy to reduce their strategic shareholdings and have **reclassified them as pure investment** after negotiating with the issuers. However, they have no feasible plans to sell the shares for an extended period, and **the actual situation remains unchanged, with the companies continuing to hold strategic shareholdings.**

[Source] FSA