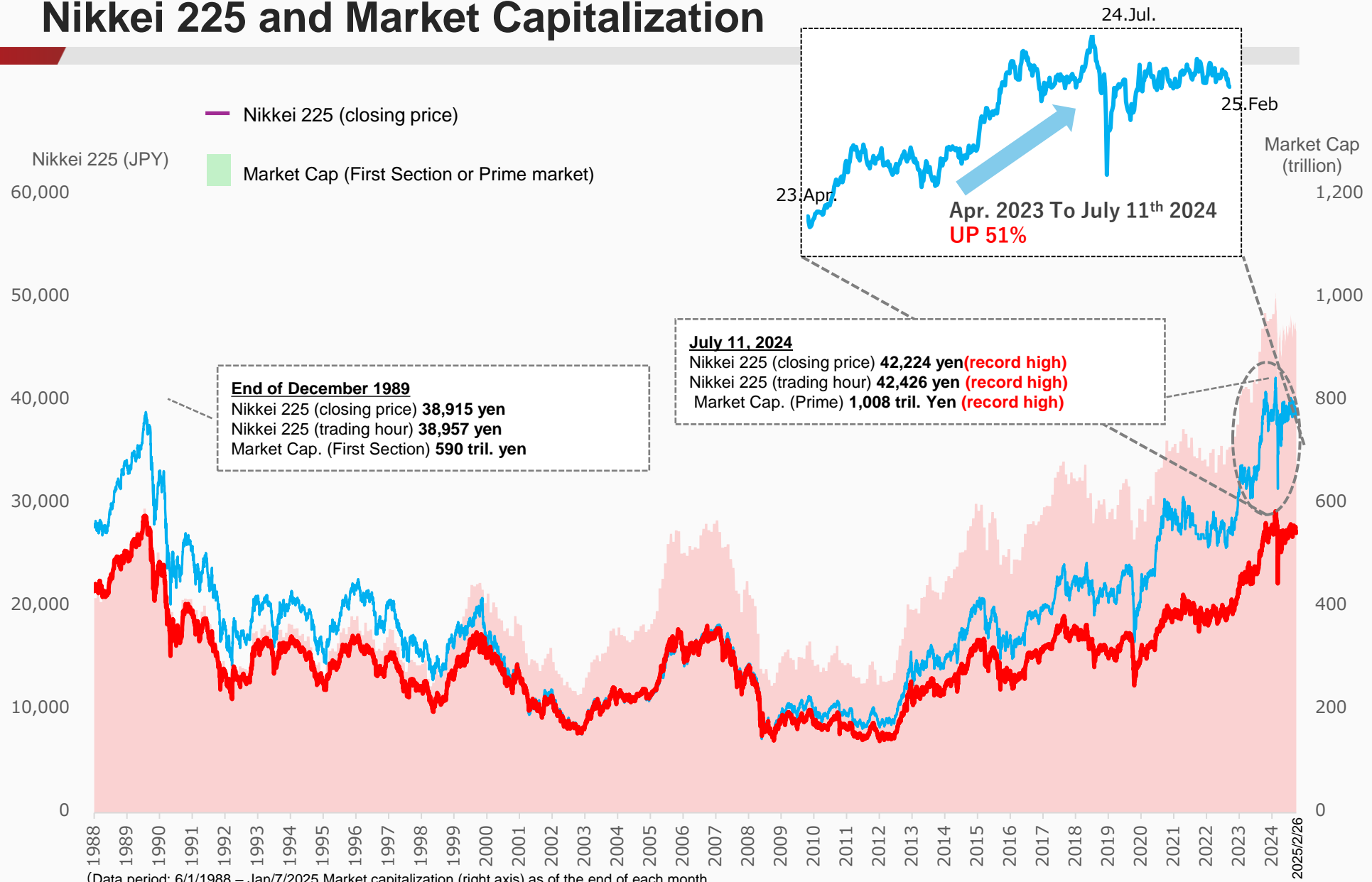


The Transformation of Companies And the Growth of Japanese Market

Japan Exchange Group
Hiromi Yamaji, Group CEO



Nikkei 225 and Market Capitalization



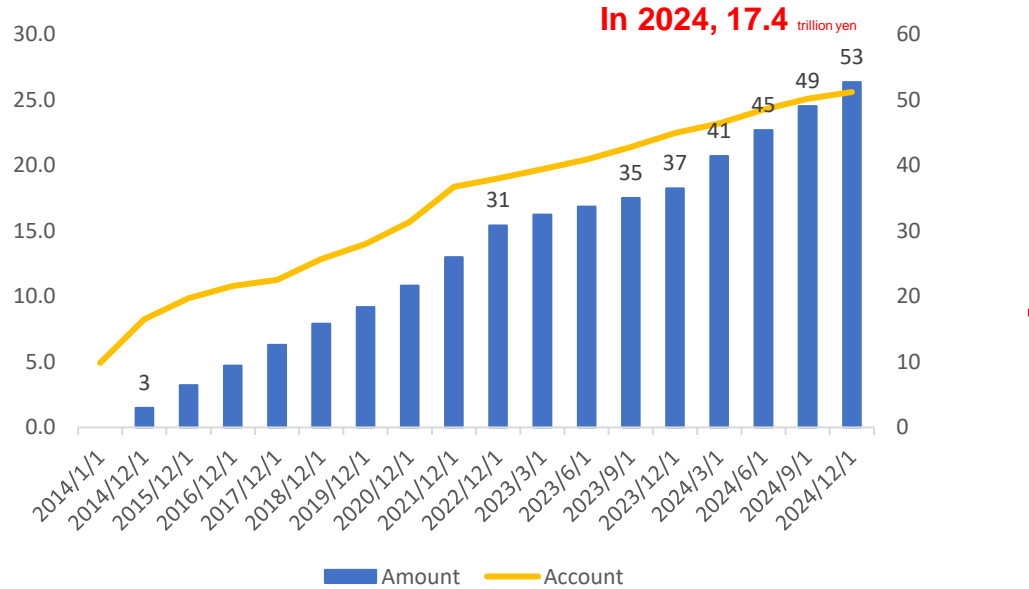
(Data period: 6/1/1988 – Jan/7/2025 Market capitalization (right axis) as of the end of each month

** Market capitalization on the First Section of the Tokyo Stock Exchange before March 2022, and market capitalization on the Prime Market after April 2022.

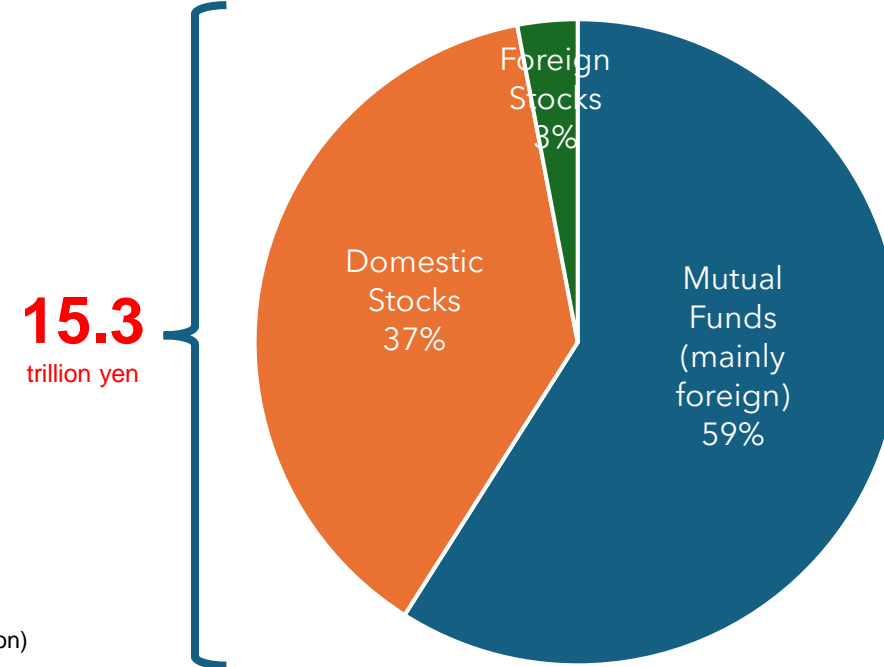
Results: NISA Participation

- For top 10 brokers, purchases through the new NISA accounts total **15.3 trillion yen** from Jan 2024 to Jan 2025.
- **37% ≙ 5.7 trillion yen** into individual domestic stocks

New NISA Usage
Jan – Dec 2024



TOP 10 Brokers Cumulative Purchase for Jan 2024 – Jan 2025
(5 major online and 5 major traditional securities companies)



(# accounts)

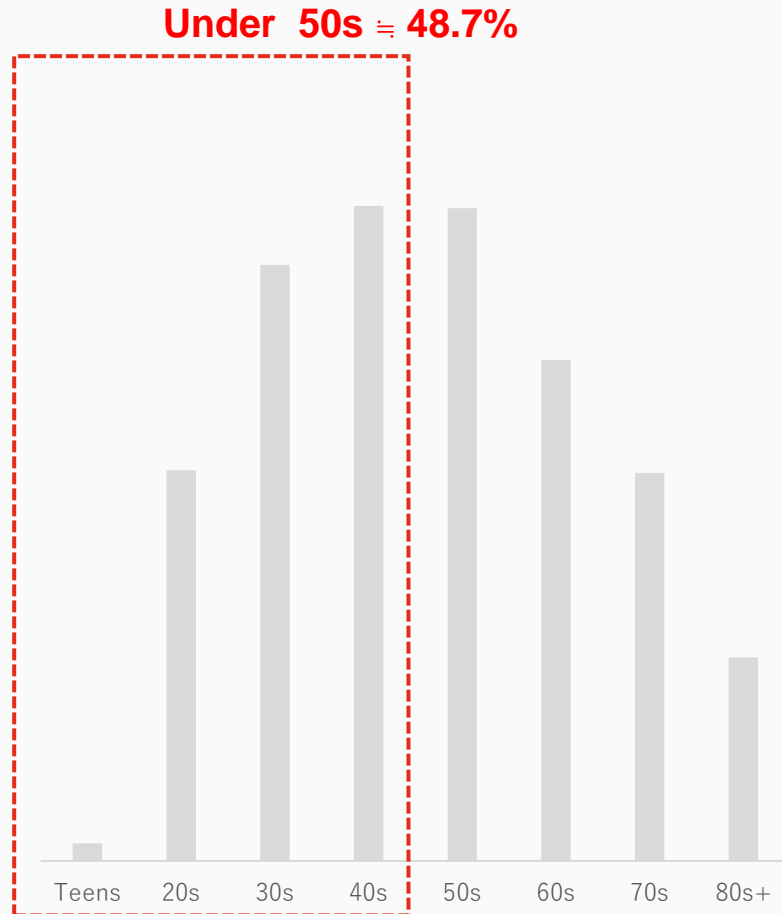
2024

(JPY trillion)

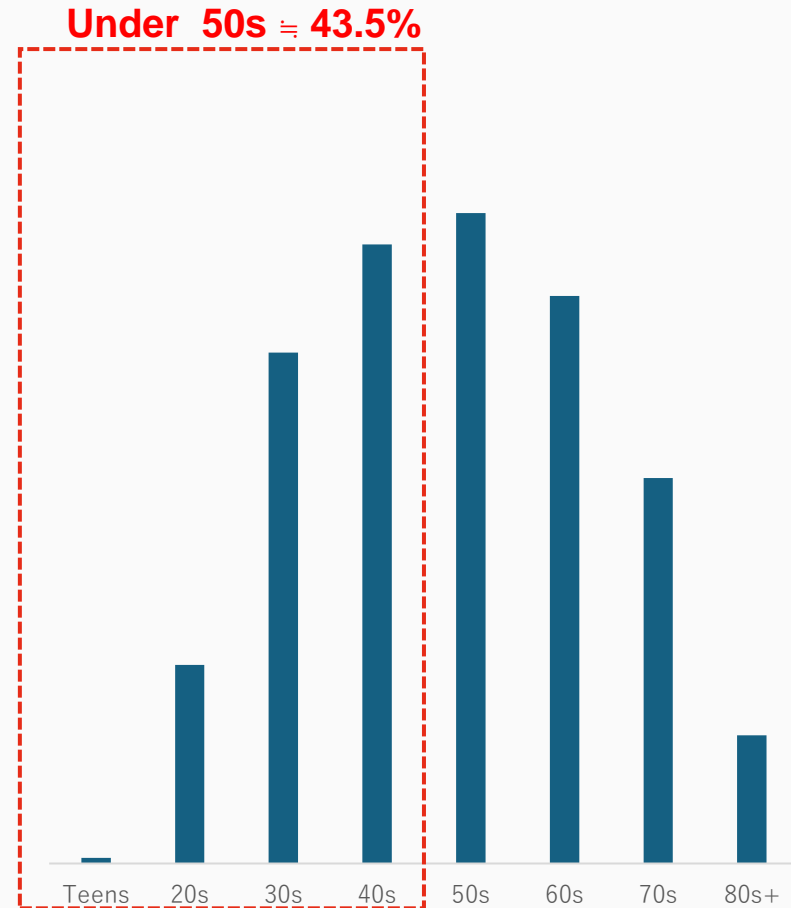
Source: Japan Securities Dealer Association Data

New NISA by Age (end of Sep. 2024)

Number of NISA Accounts

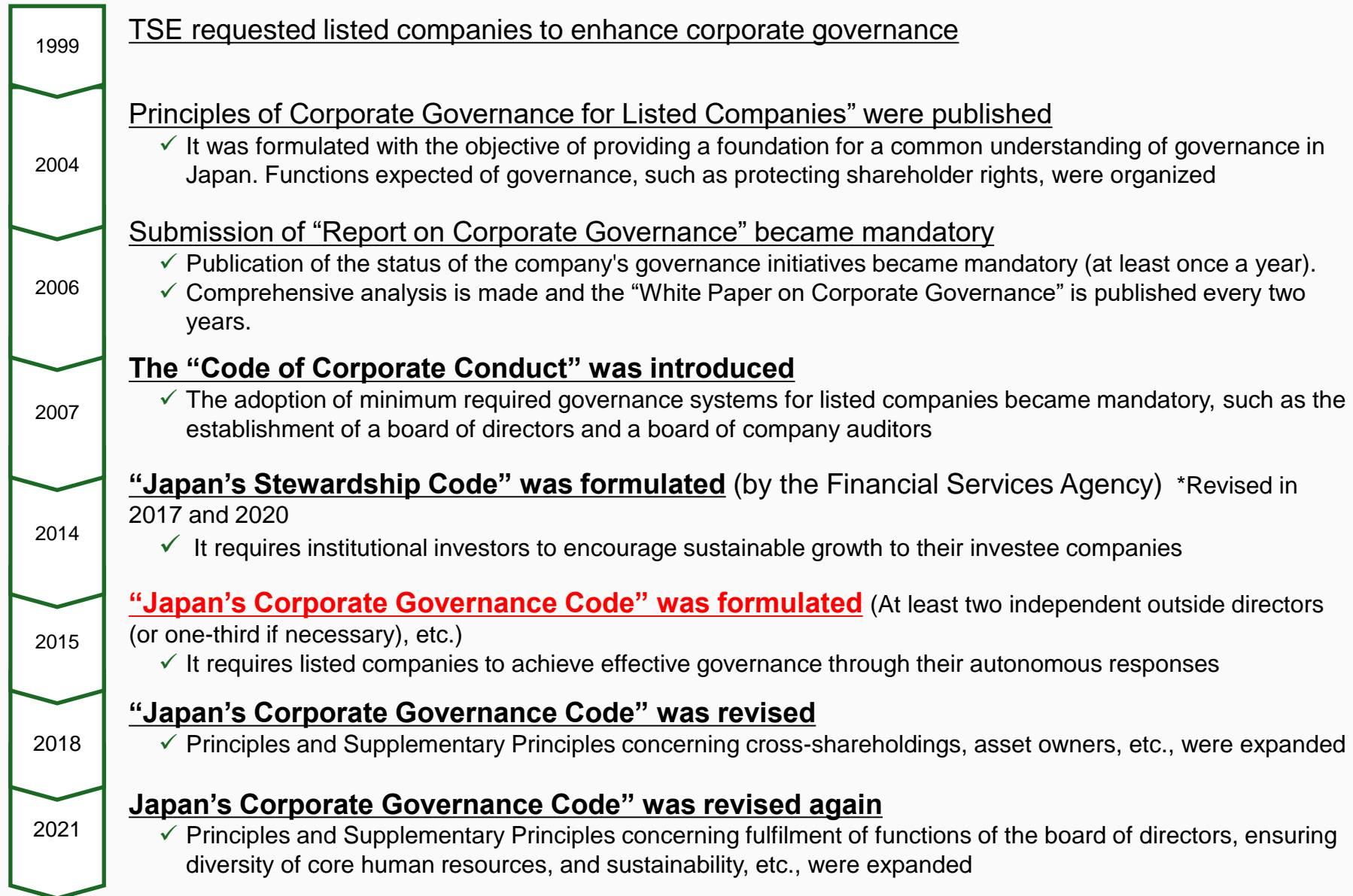


Cumulative Investment through NISA Accounts



Source: Compiled by JPX based on Japan Financial Services Agency

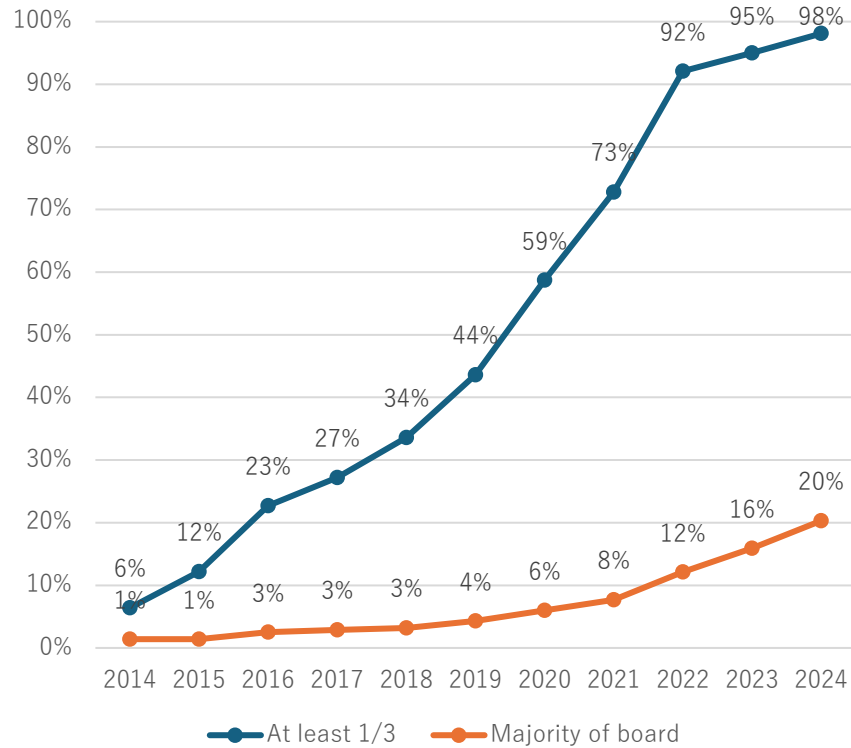
History of TSE's initiatives : Corporate Governance Reform



Results: Board Independence and Committee Adoption – Prime Companies

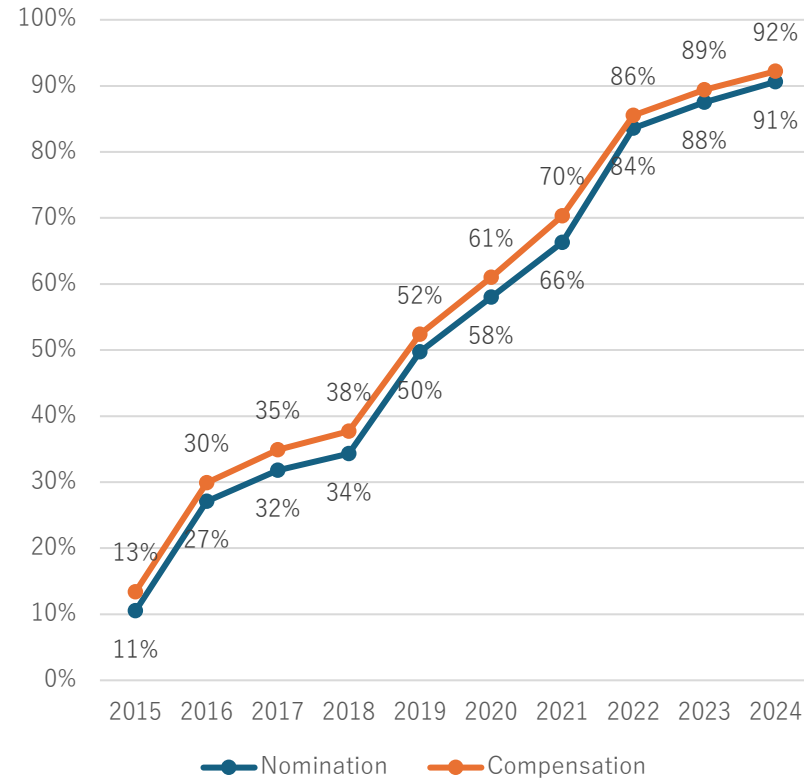
- Despite initial resistance, virtually all Prime market companies now have board independence of at least 1/3 as required by the Corporate Governance Code
- Adopting nomination and compensation committees is now the standard for similar reasons

Board Independence



Source: JPX

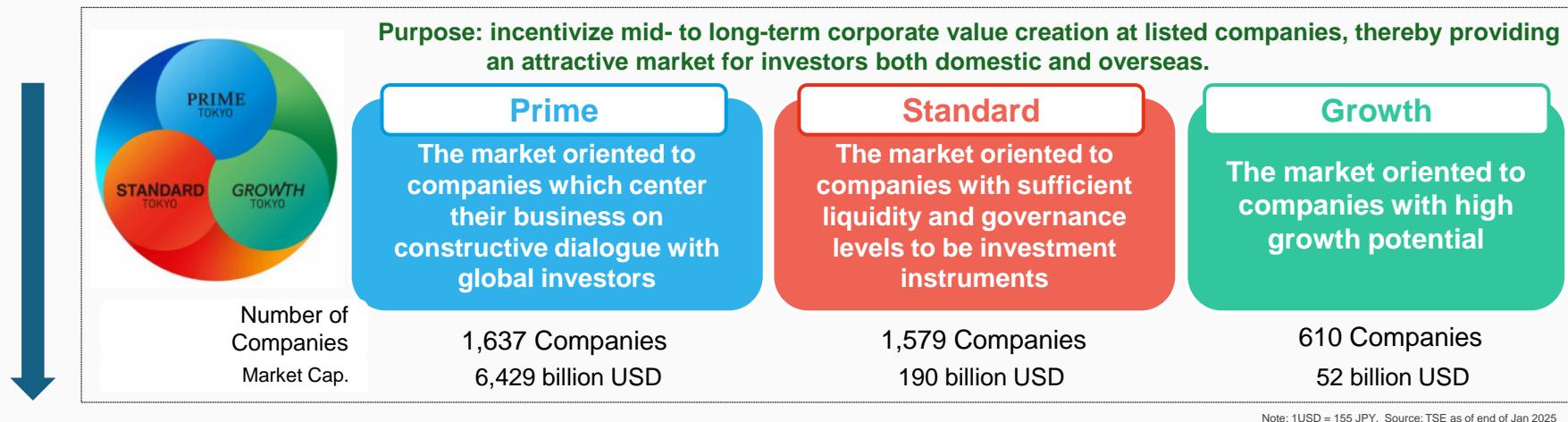
Nomination/Compensation Committee Adoption Trends



Source: JPX

TSE Market Restructuring - Request for Capital Efficiency

● 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

Content of the TSE's Request in March 2023

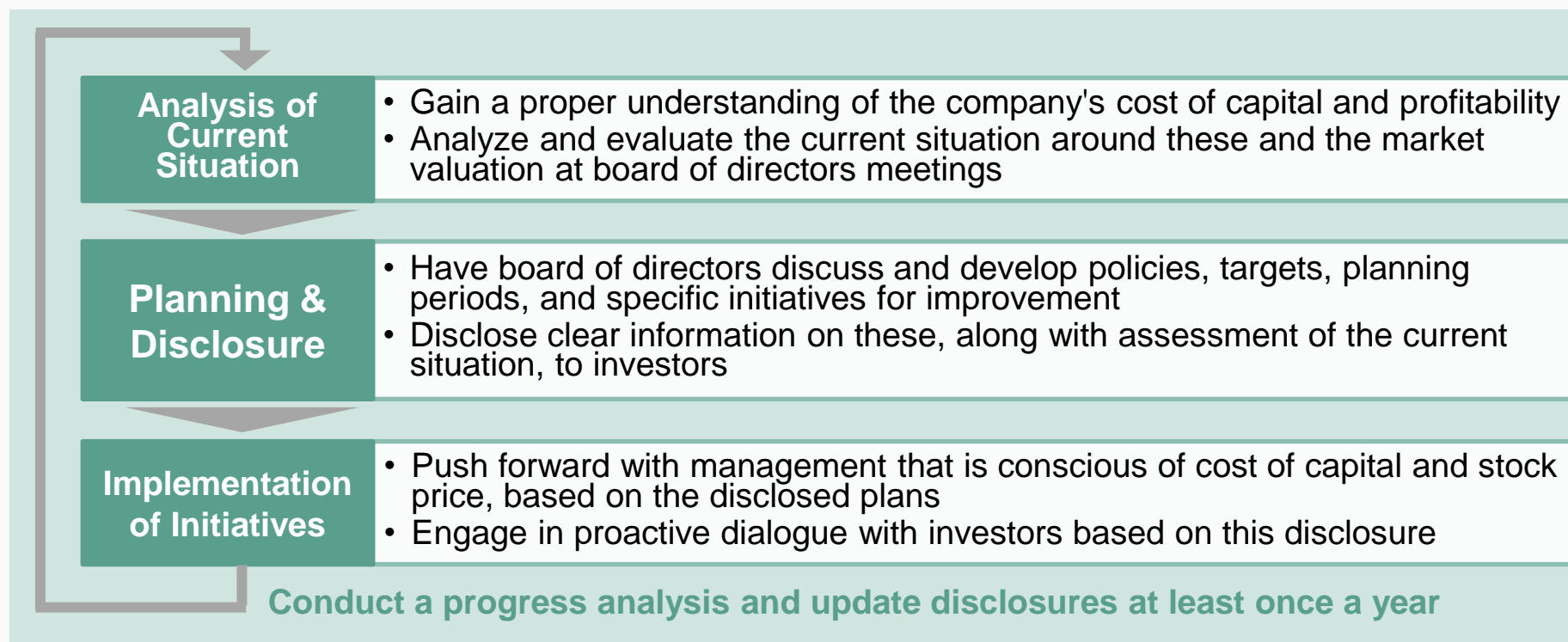
*Excerpts from the notice to listed companies dated March 31, 2023.

Companies Subject to Request

- **All companies listed on the Prime and Standard Markets.**

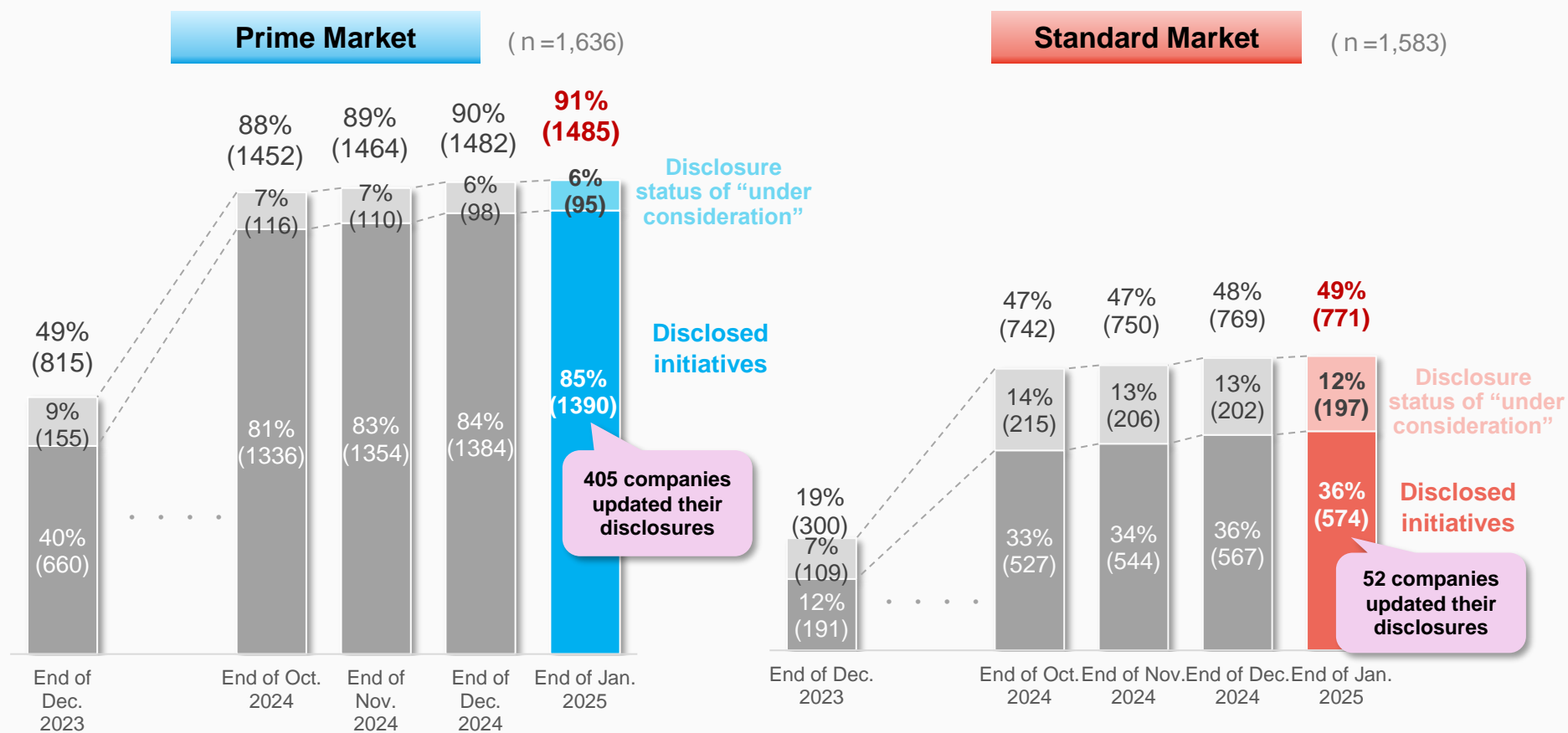
Requested Action

- 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.**



Status of Disclosure and Update

- ◆ **End of January 2025, 91% of Prime Market listed companies (1,485) and 49% of Standard Market listed companies (771) have disclosed.** (Including companies with a disclosure status of “under consideration”.)
 - Of the disclosed companies, **405 companies in the Prime Market and 52 companies in the Standard Market updated their disclosures** after disclosing their initial initiatives.



◆ In February 2024, TSE published 29 “Good Cases” based on more than 100 investors’ feedback, and Key Points that investor’s focus on

ie) analysis on capital efficiency by segment, on profitability and market valuation etc.

1605	INPEX CORPORATION	Mining	Prime
1885	TOA CORPORATION	Construction	Prime
1911	Sumitomo Forestry Co.,Ltd.	Construction	Prime
4099	SHIKOKU KASEI HOLDINGS CORPORATION	Chemicals	Prime
4183	Mitsui Chemicals,Inc.	Chemicals	Prime
4384	RAKSUL INC.	Information & Communication	Prime
4704	Trend Micro Incorporated	Information & Communication	Prime
4886	ASKA Pharmaceutical Holdings Co.,Ltd.	Pharmaceutical	Prime
5019	Idemitsu Kosan Co.,Ltd.	Oil and Coal Products	Prime
5406	Kobe Steel,Ltd.	Iron and Steel	Prime
5805	SWCC Corporation	Nonferrous Metals	Prime
5901	Toyo Seikan Group Holdings,Ltd.	Metal Products	Prime
6246	Techno Smart Corp.	Machinery	Standard
6361	EBARA CORPORATION	Machinery	Prime
7186	Concordia Financial Group,Ltd.	Banks	Prime

7259	AISIN CORPORATION	Transportation Equipment	Prime
7537	MARUBUN CORPORATION	Wholesale Trade	Prime
7646	PLANT Co.,Ltd.	Retail Trade	Standard
8011	SANYO SHOKAI LTD.	Textiles and Apparels	Prime
8051	YAMAZEN CORPORATION	Wholesale Trade	Prime
8058	Mitsubishi Corporation	Wholesale Trade	Prime
8098	Inabata & Co.,Ltd.	Wholesale Trade	Prime
8174	NIPPON GAS CO.,LTD.	Retail Trade	Prime
8252	MARUI GROUP CO.,LTD.	Retail Trade	Prime
8306	Mitsubishi UFJ Financial Group,Inc.	Banks	Prime
8337	The Chiba Kogyo Bank,Ltd.	Banks	Prime
8360	The Yamanashi Chuo Bank,Ltd.	Banks	Prime
8789	FinTech Global Incorporated	Other Financing Business	Standard
9076	SEINO HOLDINGS CO.,LTD.	Land Transportation	Prime

- ◆ **In November 2024**, TSE compiled and published a new list of **“Cases Where Companies Are Not Aligned With Investors’ Perspectives”**, plus 26 **“good cases”**.

Based on interviews with over 300 investors in Japan and overseas.

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

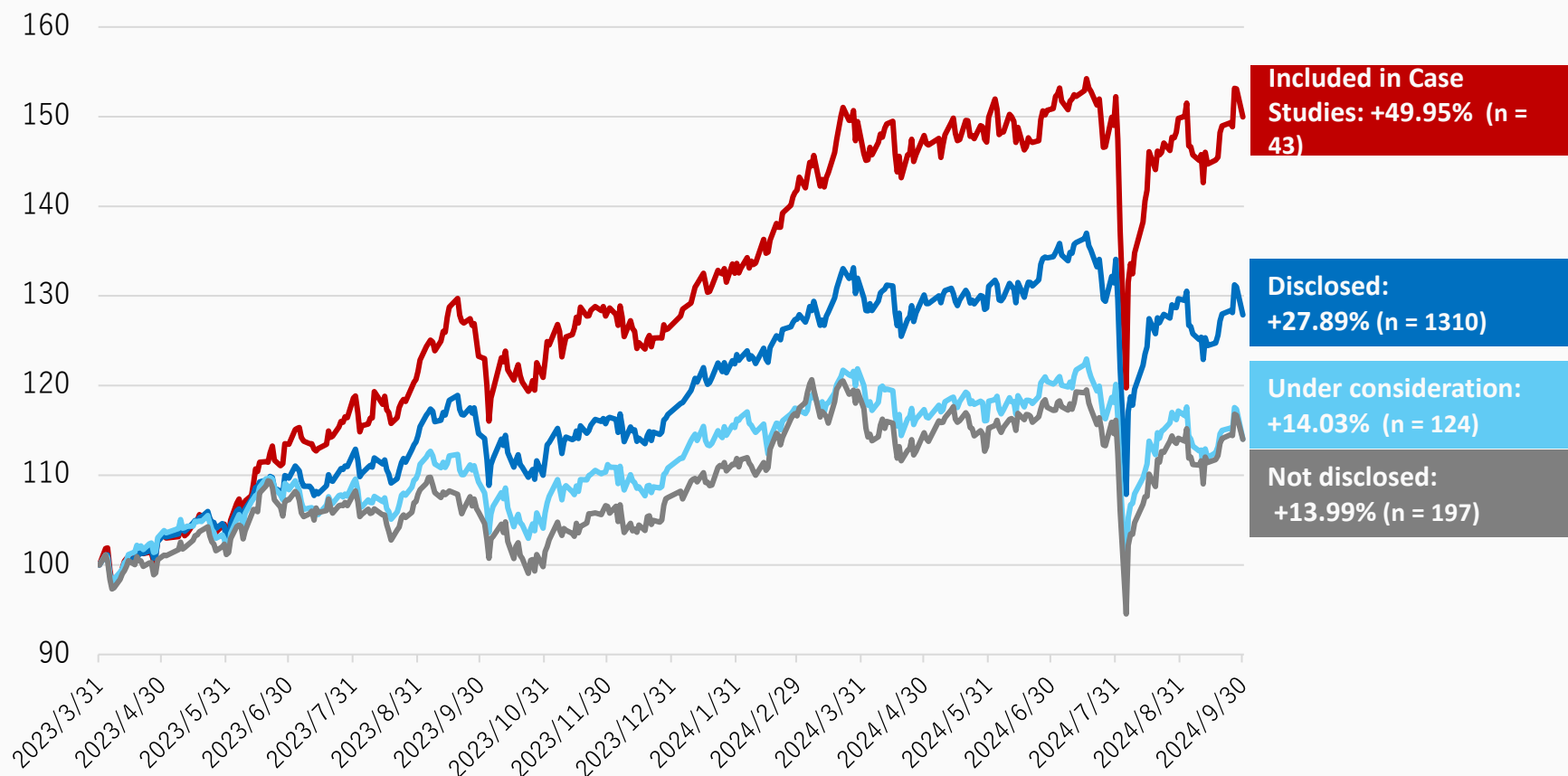
- ◆ Misalignments in companies’ evaluation of their current situation
- ◆ Insufficient consideration given to ideal balance sheets and capital allocation policies
- ◆ Target setting is not in line with investors’ perspectives
- ◆ Analysis of issues and consideration of additional responses are not considered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

Ref. Stock Prices After the Request (Prime Market)

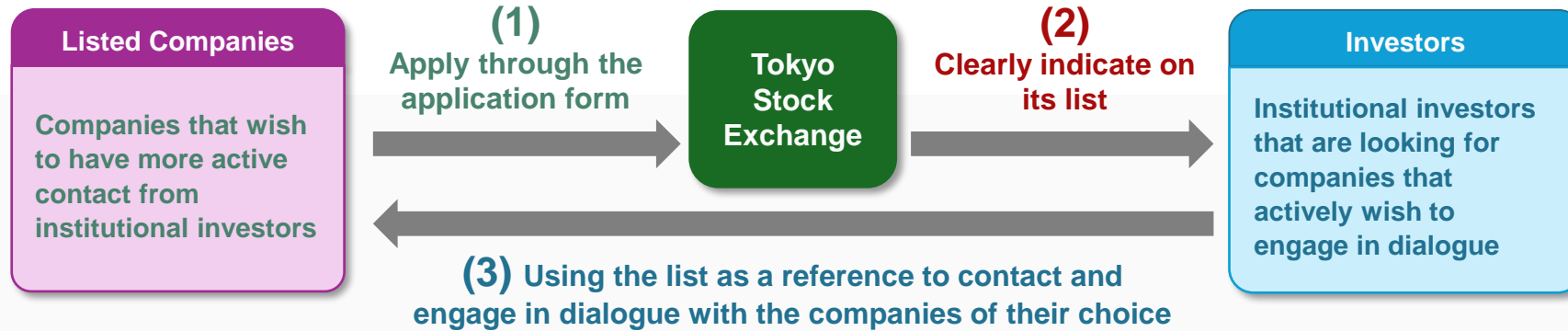


(Estimations of stock price trends for each category (equal weightings) where prices as of 2023/3/31 are converted to 100. Disclosure status is as of 2024/9/30)

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.**

<https://www.jpx.co.jp/english/equities/follow-up/02.html>



• Ref. Sample of the list

List of Companies that Have Disclosed Information in Accordance with “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”

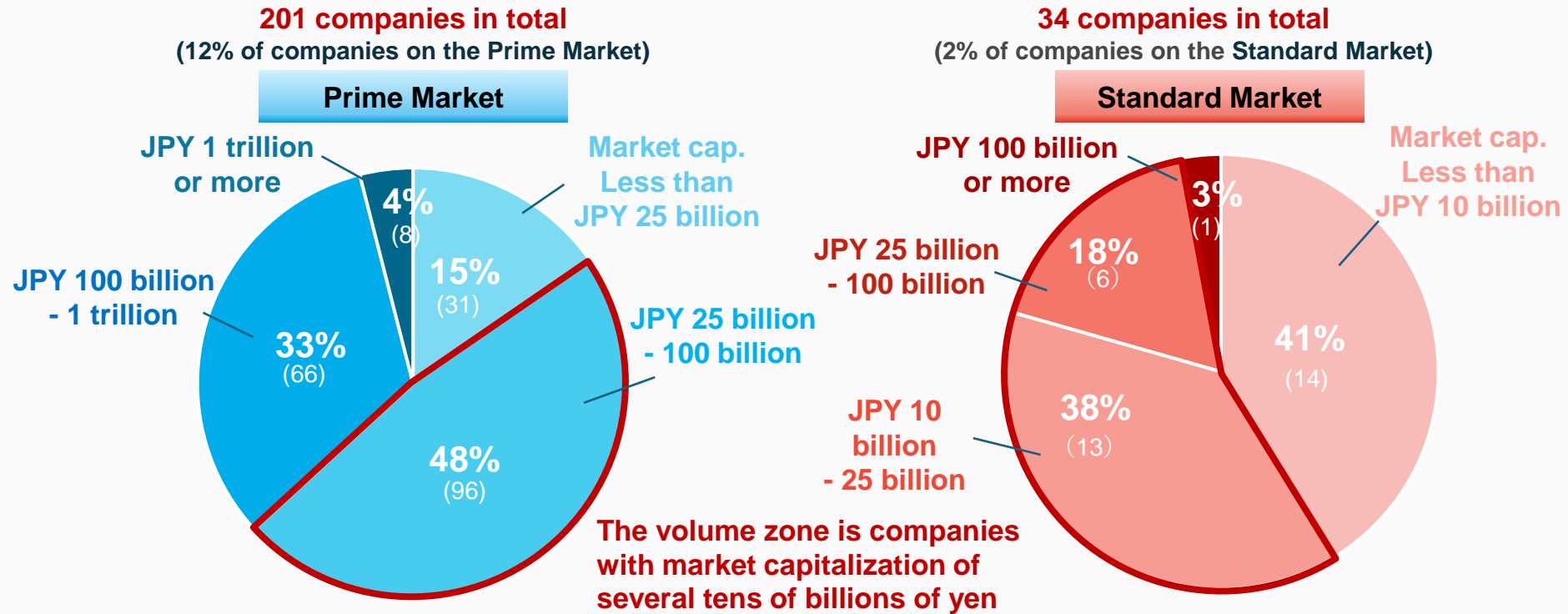
As of December 31, 2024

Sector code	Sector	Market segment	Securities code	Company name	Disclosure status			Wish to have more active contact from institutional investors		English disclosure
					Disclosure status in compliance with the request	Change in disclosure status from last month	Date of disclosure update	Application status	Where to contact	
1050	Mining	Prime	1515	Nittetsu Mining Co.,Ltd.	Disclosed			✓	Public & Investor Relations Section, Corporate Planning Dept.	Available
1050	Mining	Prime	1605	INPEX CORPORATION	Disclosed		8/8/24	✓	Investor Relations Group/Corporate Communications Unit/Cor	Available
2050	Construction	Prime	1814	DAISUE CONSTRUCTION CO.,LTD.	Disclosed			✓	Public Relations Department	Available
2050	Construction	Prime	1815	TEKKEN CORPORATION	Disclosed			✓		Available
2050	Construction	Prime	1939	YONDENKO CORPORATION	Disclosed		5/21/24	✓		
2050	Construction	Prime	1945	TOKYO ENERGY & SYSTEMS INC.	Disclosed			✓		Available
2050	Construction	Prime	5074	TESS Holdings Co.,Ltd.	Disclosed			✓	Public Relations & Investor Relations Team, Corporate Mana	Available
2050	Construction	Standard	1420	Sanyo Homes Corporation	Disclosed			✓	Business Administration Division	
2050	Construction	Standard	1712	Daiseiki Eco.Solution Co.,Ltd.	Disclosed		11/11/24	✓	Planning Dept.	
2050	Construction	Standard	1847	ICHIKEN Co.,Ltd.	Disclosed		6/26/24	✓		

Companies Wishing to Have More Active Contact from Institutional Investors

- ◆ From the List of Companies That Have Disclosed Information as of January 2025, **companies that have applied that they “wish to have more active contact from institutional investors”** are indicated on the list.
 - **As of the end of January 2025**, a total of **235 companies** had submitted applications (an increase of 42 companies from the end of the previous month)
 - **The volume zone is companies with market capitalization of several tens of billions of yen**

Distribution of Market Capitalization of Companies That Have Applied



Overall Picture of TSE's Initiatives

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

- **Promote further initiatives** for companies that have **already disclosed information**
 - **Confirm evaluation and effects of recent measures**, such as filling the gap between companies and investors and promoting communication between them. **[around February 2025]**
 - **Encourage** companies that have **not yet disclosed to ensure proper IR functionality**
 - Discuss measures such as revising the Corporate Code of Conduct **[around February 2025]**
- ⇒ **Continuously review the situation** and consider additional measures **[every Summer]**
- **Educational programs for managers and staff of listed companies**
 - Explanation of measures including background, IR seminars, etc. **[Continuously implemented]**

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**
 - Publication of "TSE's Views and Policy on Parent-Subsidiary Listings" and "Investors' perspectives and points of view". **[around the beginning of 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 information disclosure necessary for minority shareholders to make investment decisions**
 - **Present the proposed revisions of the Corporate Code of Conduct based on practical coordination with market participants** **[around February 2025]**

Promoting the Growth of Startup Companies

- **Consider and promote approaches for encouraging companies to boldly take on the challenge to grow after their IPOs** in order to **produce startups that will drive the growth of the Japanese economy in the future**
 - **Discussion on specific measures** **[around February 2025]**
- * Continue to promote the understanding of the preparation for listing and the viewpoints of institutional investors after listing (e.g. holding IPO Practitioner Liaison Meetings)

Actions in response to the termination of transitional measures

- **Encourage companies** subject to transitional measures to **consider and take actions to prepare for the termination of transitional measures** (March 2025) and **delisting** (September 2026 or later).
 - **Strengthen communication with companies** **[around January to March 2025]**
 - **Follow-up with companies that have entered the improvement period** **[from April 2025]**
- **Inform investors of the status of companies**
 - Publication of a **list of companies that have entered the improvement period**, with monthly updates **[from April 2025]**

- * Additionally, **continuously support companies' efforts towards mandatory English disclosures** (starting from April 2025).



【Cautionary statement regarding this material】

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