

# Low P/B ratio companies top TSE information disclosure list

*TSE releases list of companies that consider cost of capital and stock price in management practices*

TOKYO, JAPAN, February 28, 2024 /EINPresswire.com/ -- [Nikkei QUICK News] □On January 15, the Tokyo Stock Exchange (TSE) published a list of companies that have disclosed information regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." All of the companies on the list mentioned such efforts in their corporate governance (CG) reports. Measures counted could include those under consideration that had not yet been implemented. The list included 1,115 companies on the TSE, with 815 on the Prime Market (49.2% of a total 1,656 companies) and 300 on the Standard Market (18.5% of a total 1,619 companies). The businesses on the TSE list are likely to be evaluated favorably by the market as companies that are aware of the issues in question and are taking action. At the same time, they will be expected to put their outlined plans into practice.

The TSE list was compiled based on CG reports as of the end of December 2023. In March 2023, the TSE requested companies to take the aforementioned measures. In particular, the TSE strongly requested that companies address price-to-book (P/B) ratios of less than 1.0.

A closer look at the list shows that 660 Prime Market listed companies (39.9% of the total) had disclosed the relevant information, and 155 (9.4%) were considering doing so. In the Standard Market, 191 companies (11.8%) disclosed information, and 109 companies (6.7%) were under consideration. Companies with low P/B ratios and low return on equity (ROE) showed a tendency toward higher rates of disclosure.

Banks topped the disclosure rate at 94.1%, followed by Electric Power and Gas (85.7%) and Iron and Steel (81.8%). These industries have average P/B ratios below 1.0. Shutaro Yasuda, a market analyst at Tokai Tokyo Research Institute, said: "This is commendable, given that the intention was to induce a sense of urgency in companies with P/B ratios below 1.0."

At the same time, industries with high P/B ratios and ROE figures tended to have lower disclosure rates. The lowest such rates were seen in Fisheries, Agriculture and Forestry (16.7%) and Information and Communications (33.0%), which had figures above 1.0. Among leading companies in industries with such P/B ratios, Toyota Motor Corporation (7203) and Fast Retailing (9983) were absent from the list.

Responding to a question from Nikkei Quick News about why the company was not on the list, Toyota Motor Corporation emphasized that it has already been working along the lines of the TSE recommendations. "We are proactively implementing measures such as enhancing our disclosure materials. We believe that the TSE's request to take 'Action to Implement Management That is Conscious of Cost of Capital and Stock Price' is virtually equivalent to our own strategy of 'growing together with our stakeholders,'" the company said.

The focus of attention will now be on how to improve low P/B ratios and low ROE, rather than on disclosure alone. Yuusuke Maeyama, a senior researcher at NLI Research Institute, pointed out: "Fundamentally, it is critical for companies to improve their return on capital and grow, as opposed to simply buying back their own shares or raising their dividends. Foreign investors are particularly interested in the implementation of these measures, and all eyes will be on future disclosures and implementation by companies."

(Reported on January 16)

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