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SGX Value Unlock:
Three Lessons from Japan’s Corporate Transformation

Lessons for Singapore companies from Japan’s approach to governance, portfolio transformation and capital allocation

Japan’s equity market has strengthened markedly in recent years. The market has been supported by several factors, including the global technology cycle, currency movements and international capital flows. At the same time, a deeper structural shift has been underway within Japanese companies. Management teams have placed greater emphasis on governance, capital allocation, portfolio discipline and enterprise value.

This change did not happen overnight. Japan has spent more than two decades pursuing corporate restructuring and governance reform and, more recently, addressing capital efficiency and portfolio management.

As Singapore-listed companies consider the opportunities created by SGX Value Unlock, Japan’s experience provides three practical lessons. SGX describes Value Unlock as a strategic initiative to help listed companies understand their valuation potential, improve strategy and execution, and communicate more effectively with investors.

1. Governance matters when it changes management decisions

Japan’s current focus on capital efficiency evolved in stages.

In the early 2000s, much of the attention was on corporate restructuring. Companies had to address underperforming businesses, balance-sheet constraints and portfolios that no longer reflected changes in their markets.

During the 2010s, corporate governance moved higher on the agenda. Independent directors became more prominent, accountability increased, and boards began to give greater attention to capital efficiency and enterprise value.

More recently, cost of capital, ROIC, portfolio composition and market valuation have become regular items on management agendas. This shift was further reinforced by the Tokyo Stock Exchange’s call for companies to consider cost of capital and stock price.

IGPI has been directly involved in several stages of this transformation.

Our roots go back to the Industrial Revitalization Corporation of Japan, where professionals who later established and led IGPI worked on corporate restructuring and revitalisation.

IGPI has also been closely involved in Japan's governance reform. Professor Kunio Ito, one of Japan's leading thinkers on corporate value and capital efficiency, serves on IGPI's Advisory Board. IGPI founder Kazuhiko Toyama currently serves as Chairman of the Japan Association of Corporate Directors and has contributed to broader discussions on corporate governance reform in Japan.

Toyama has served as an outside director of major Japanese companies, including OMRON and Panasonic Holdings. Other IGPI partners also serve as outside directors of listed companies in Japan, bringing the firm direct boardroom perspectives across a range of industries.

Alongside these board roles, IGPI has advised listed companies on governance reform, portfolio transformation, capital allocation and broader corporate transformation.

A practical lesson follows: governance creates value when it leads to better decisions.

Where should the company invest? Which businesses deserve more capital and management attention? Which should be transformed, partnered or exited? How should limited resources be allocated?

Revenue growth and profit remain important. Management teams are increasingly expected to explain how they will generate returns that justify the capital committed to the business.

2. Removing a discount is only the starting point

Japan's experience also shows why Value Unlock needs to extend beyond financial measures.

Returning excess cash, selling noncore assets or improving investor communication can each be appropriate. These actions may help address a valuation discount. The more difficult question is what the company should look like after they have been taken.

For a diversified group, one question is particularly important:

What is the strategic case for keeping these businesses in the same group?

The rationale may rest on shared technology, customer relationships, data, brands, distribution networks, talent or regional capabilities. What matters is whether belonging to the group gives those businesses an advantage they could not easily achieve independently.

Portfolio restructuring therefore needs to be anchored in corporate strategy.

Japan's experience indicates that divesting weaker or noncore businesses can narrow a conglomerate discount, but the businesses that remain still need a convincing reason to operate as part of the same group.

For management, removing the discount should be the starting point. The longer-term objective is to shape a portfolio, supported by the right capabilities, that generates additional value and gives investors a basis for recognising a premium.

3. Global principles need an Asian context

The principles of stronger governance, disciplined capital allocation and portfolio management are broadly applicable across markets, but how they are applied must reflect local conditions.

Frameworks developed in the United States or Europe provide useful reference points, but applying them in Asia requires an understanding of different ownership structures, corporate histories, stakeholder relationships and management practices. Japan's own experience should likewise be adapted rather than replicated.

Singapore presents a different corporate landscape. Many listed companies have controlling or family shareholders. Many also operate across ASEAN, where consumer behaviour, regulation and competitive conditions vary considerably from one market to another.

These differences matter most when a company moves from identifying a valuation gap to changing how the business is managed.

Portfolio decisions need to reflect ownership and competitive position. Governance arrangements need to fit how the organisation actually operates. Concepts such as ROIC and cost of capital need to be translated into decisions that operating managers can use in day-to-day management.

Technology can expand the options available. Data, AI and digital platforms can help regional companies build a more granular view of local customers and operating conditions without sacrificing the advantages of scale.

IGPI's experience in Japan and across Asia is relevant in this context. Our work in Japan reflects firsthand experience of a long-running corporate transformation. Our work across Asian markets has also shown that the effectiveness of any approach depends heavily on local ownership structures, management practices and competitive realities.

The objective is to take sound global principles and translate them into a management approach that works in the company's specific context.

For boards and management teams, five questions are particularly useful:

1. Where is value currently trapped?
2. Which businesses should we grow, transform, partner, sell or exit?
3. Why are the remaining businesses worth more together?
4. Which capabilities deserve further investment?
5. Can investors clearly understand how the company intends to create value?

Together, these questions connect strategy, capital allocation, execution and investor communication.

The goal is a better company

One of the clearest lessons from Japan is that valuation metrics are best treated as outcomes rather than objectives.

PBR, share price, dividends and share buybacks all matter, but none is a substitute for sound strategy and disciplined execution.

Sustainable enterprise value depends on the quality of strategy, portfolio choices, capital allocation, execution and communication with investors.

Japan has spent more than two decades addressing these issues, and the process continues today.

Singapore can draw on what has worked in Japan, learn from what has not, and adapt those lessons to its own market and the wider Asian context.

About the Author

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After joining Cap Gemini and Coca Cola, Kohki joined Revamp Corporation where he managed projects on global expansion and turnaround in various sectors including F&B, healthcare, retail, IT, etc. After joining IGPI, he has managed projects mainly on global expansion and cross border M&A in various sectors such as logistics, IT, telecom, retail, etc. In addition to his broad experience in implementing solutions that has been developed in Western countries, he has developed multiple methods to turnaround Asian companies with focus on setting clear vision and employee empowerment. Kohki has proven the practicality of these methods by turning around Asian companies not only as an advisor but also as senior management.
He graduated from Waseda University Department of Political Science and Economics and IE Business School.

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