

Robust Corporate Governance Effect on the Corporate Value of Technology Companies

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Abstract

The importance of corporate governance is increasing due to globalization or expansion of financial market. Along with this trend, many researchers studied the importance of corporate governance and relationship between robust corporate governance and corporate value. Although many researchers studied the effect of robust corporate governance on corporate values, there are few research which focused on technology companies.

As such, the purpose of this research is to figure out whether robust corporate governance provide positive effect on the corporate value of Japanese technology companies or not. In this research historical prices of Japanese robust corporate governance companies were examined and it was concluded that robust corporate governance have positive effect on the corporate value. In addition, historical prices of Japanese robust corporate governance technology companies were examined and it was also concluded that robust corporate governance have positive effect on the corporate value of technology companies. Lastly comparing these two analysis, it was concluded that robust corporate governance provide slightly more positive effect on the corporate value of Japanese technology companies.

Keywords: Corporate value, Governance, technology

JEL classification: M 10, M 21, G34

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1. Introduction

Corporate governance is critical issue for the management executives from the past. However, its importance is increasing due to globalization and expansion of financial market. In line with the global shift toward ESG (Environment / Social / Governance) principles, corporate governance aspect is becoming more important since many investors are considering ESG activities for their investment decision. Actually, in Japan, Tokyo Stock Exchange revised Japan's Corporate Governance Code in June 2021 (2021).

In line with this movement, many researchers investigated the effect of corporate governance on corporate value. But there are a few research which focused on corporate governance effect on corporate value for technology companies.

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2. Literature review

Corporate governance is critical issue for the management executives from the past. And current ESG trend also boost the importance of corporate governance. In Japan, Tokyo Stock Exchange revised Japan's Corporate Governance Code in June 2021 (2021) with the aim of strengthening Japanese companies' governance practices.

Khan (2011) showed that the effectiveness of corporate governance mechanism in the companies and institutions. Yolanda et al. (2025) showed that a significant relationship between corporate governance and business continuity. Muslim (2024) also showed that effective governance practices are crucial for enhancing firm performance and protecting shareholder interests. He also mentioned that board structure, executive compensation, ownership concentration, and regulatory compliance are key mechanisms.

In line with the importance of corporate governance is increasing, many researchers are also trying to find out the effect of robust corporate governance on the corporate value. Zahrani et al. (2025) showed that good corporate governance has a strategic role in improving corporate reputation and corporate success. Brown and Caylor (2006) examined how governance provisions affect corporate value. Ammann et al. (2010) showed a strong and positive relation between firm-level corporate governance and firm valuation. Yunia and Mutmainah (2024) showed that Corporate governance and the mechanism of corporate governance have a positive influence on company performance. Ito et al. (2024) showed that ESG activities provide positive effect on the corporate value of general and technology companies. Although many researchers studied the effect of robust corporate governance on corporate values, there are few research which focused on technology companies.

3. Methodology

The objective of this research is to figure out whether robust corporate governance provide positive effect on the corporate value of Japanese technology companies or not. As such, the research question for this research is as follows.

RQ#1: Does robust corporate governance provide positive effect on the corporate value of Japanese companies?

RQ#2: Does robust corporate governance provide positive effect on the corporate value of Japanese technology companies?

RQ#3: Are there any differences between Japanese general companies and Japanese technology companies regarding the effect of robust corporate governance on the corporate value?

To examine the relationship between robust corporate governance and corporate value, the report issued by GPIF (Government Pension Investment Fund), Japanese governmental pension fund, was utilized. GPIF (2022) issued the report including the list of excellent corporate governance companies ("List of Robust Corporate Governance Companies"), after Tokyo Stock exchange revised Japan's

Corporate Governance Code in June 2021 (2021). This list was used as a pool of robust corporate governance companies.

Then as a general company's group, TOPIX 100 companies were selected. TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX 100 is Index is a capitalization-weighted index designed to measure the performance of the 100 most liquid stocks with the largest market capitalization. As such, 99 companies, which were selected as TOPIX 100 as of October 29th, 2021, were chosen as a group of general companies (one company went private after 2023. Thus, this company was excluded as a group of general companies for this research purposes).

After 99 companies were selected as a group of general companies ("General Company Group"), 22 companies, which were included in both General Company Group and List of Robust Corporate Governance Companies, were chosen as a group of robust corporate governance. Then comparison was conducted using historical prices of both group in order to answer RQ#1.

In order to answer RQ#2, a group of technology companies was created. Since there is no concrete definition of technology companies, Tokyo Stock Exchange's Industry Classification was used for this research purposes. Among all the industry sectors, Chemicals, Electric Appliances, Information & Communication, Iron and Steel, Machinery, Nonferrous Metals, Pharmaceutical, Precision Instruments, Rubber Products, and Textiles and Apparels sectors were chosen as a technology companies group based on industry characteristics and each company's business model. Then comparison was conducted between group of robust corporate governance technology group and non-technology group.

Then lastly, compare the effect of robust corporate governance on the corporate value of general companies and technology companies to answer RQ#3.

4. Results and discussion

99 companies from TOPIX 100 companies as of October 29th, 2021, were selected as a general company group ("General Company Group"). Then all the historical stock prices of these companies were extracted from MarketSpeed2 database of Rakuten Securities, Inc. (<https://www.rakuten-sec.co.jp/>). The data extracted was approximately three- and half-year timeframe from January 5th, 2022 to June 11th, 2025.

Then, out of General Company Group, 22 companies were selected as a robust corporate governance group ("Robust Corporate Governance Group"), which was used as a test group. These companies were selected in both General Company Group and the list of excellent corporate governance companies ("List of Robust Corporate Governance Companies") issued by GPIF. The rest 77 companies were grouped as non-robust corporate governance group ("Non-Robust Corporate Governance Group").

As for Robust Corporate Governance Group, index value was calculated. The index values were calculated based on market values of equity of all the

companies as of January 5th, 2022 and the price of the first date (January 5th, 2022) to become 1. However, some companies' stock prices were extremely fallen down due to non-corporate governance related issues, such as shrinking the international business or losing market share. Since the stock prices of these companies have extremely fallen down and had huge impact on the calculated index values, companies whose stock price as of June 11th, 2025 were 50% or less compared to the stock price as of January 5th, 2022 were excluded from index calculation to reduce non-corporate governance related impact for this research.

As for Non-Robust Corporate Governance Group, index value was also calculated using the same methodology as used for Robust Corporate Governance Group.

Both index values were compared. Figure 1 and Figure 2 show the comparison of both indexes. If the calculated index values of Robust Corporate Governance Group were above the calculated index value of Non-Robust Corporate Governance Group in Figure 1, it is concluded that robust corporate governance provides positive effect on the corporate value of the company. If the value in Figure 2 were above 1, it is concluded that robust corporate governance provides positive effect on the corporate value of the company.

During the three- and half-year timeframe from January 5th, 2022 to June 11th, 2025, sometime the calculated index values of Robust Corporate Governance Group were less than those of Non-Robust Corporate Governance Group but the calculated index values of Robust Corporate Governance Group were more than those of Non-Robust Corporate Governance Group for most of the days in Figure 1. Figure 2 shows the same result as Figure 1. For most of the days, the values were more than 1 and the average value was also more than 1. As such, it is concluded that robust corporate governance provides positive effect on the corporate values of the Japanese companies.

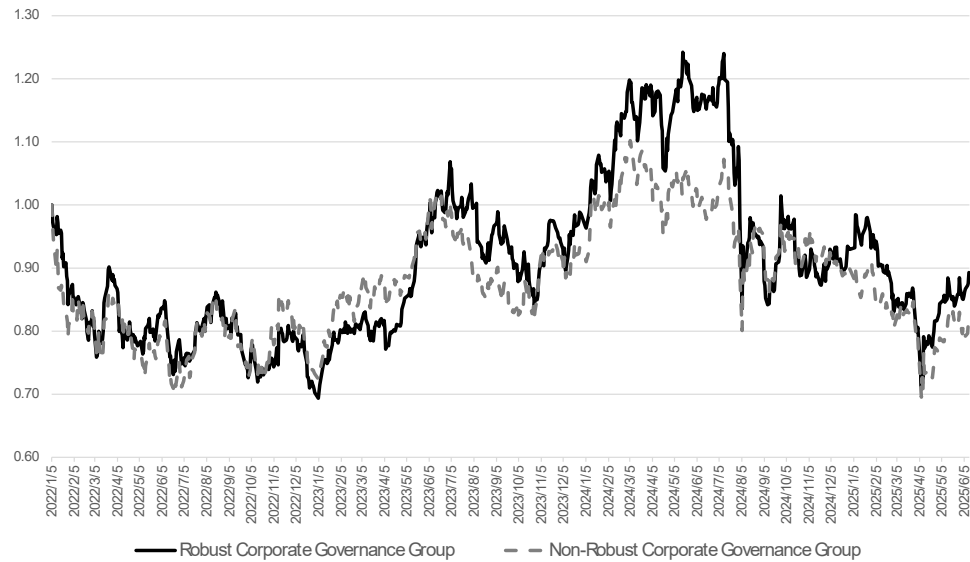


Figure 1. Calculated Index Values of Robust Corporate Governance Group and Non-Robust Corporate Governance Group (indexed price of January 5th, 2022 = 1)
Source: Author's own research.

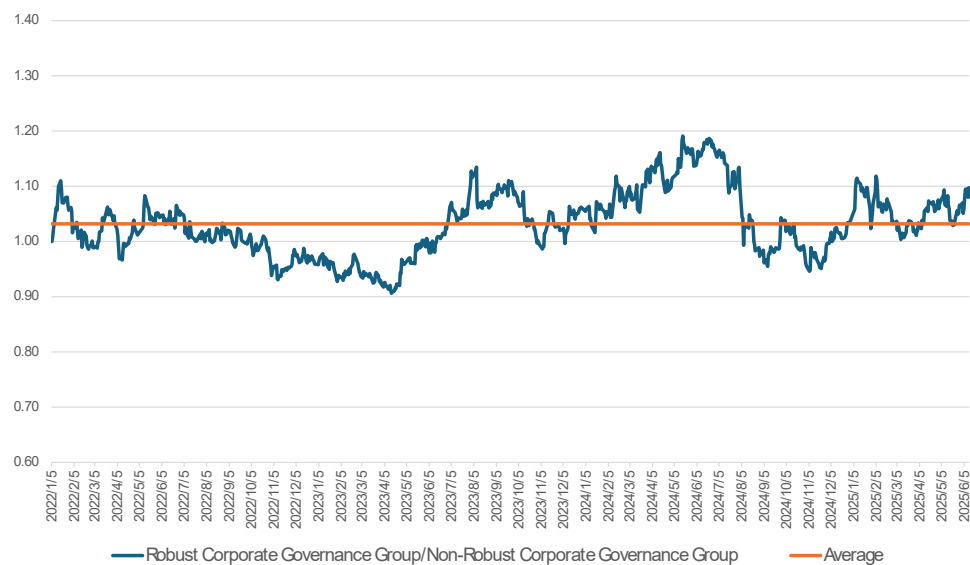


Figure 2. Calculated Index Values of Robust Corporate Governance Group / Calculated Index Values of Non-Robust Corporate Governance Group
Source: Author's own research.

In order to answer RQ#2, out of Robust Corporate Governance Group, 11 companies were selected as a robust corporate governance technology group (“Robust Corporate Governance Group - Technology”), which was used as a test group. Out of Non-Robust Corporate Governance Group, 38 companies were selected as a non-robust corporate governance technology group (“Non-Robust Corporate Governance Group - Technology”).

For both Robust Corporate Governance Group – Technology and Non-Robust Corporate Governance Group – Technology, index values were calculated using the same methodology.

Both index values were compared. Figure 3 and Figure 4 show the comparison of both indexes. During the three- and half-year timeframe from January 5th, 2022 to June 11th, 2025, sometime the calculated index values of Robust Corporate Governance Group – Technology were less than those of Non-Robust Corporate Governance Group - Technology but the calculated index values of Robust Corporate Governance Group - Technology were more than those of Non-Robust Corporate Governance Group - Technology for most of the days in Figure3. Figure 4 shows the same result as Figure 3. For most of the days, the values were more than 1 and the average value was also more than 1. As such, it is concluded that robust corporate governance provides positive effect on the corporate values of the Japanese technology companies.



Figure 3. Calculated Index Values of Robust Corporate Governance Group – Technology and Non-Robust Corporate Governance Group - Technology (indexed price of January 5th, 2022 = 1)

Source: Author’s own research.

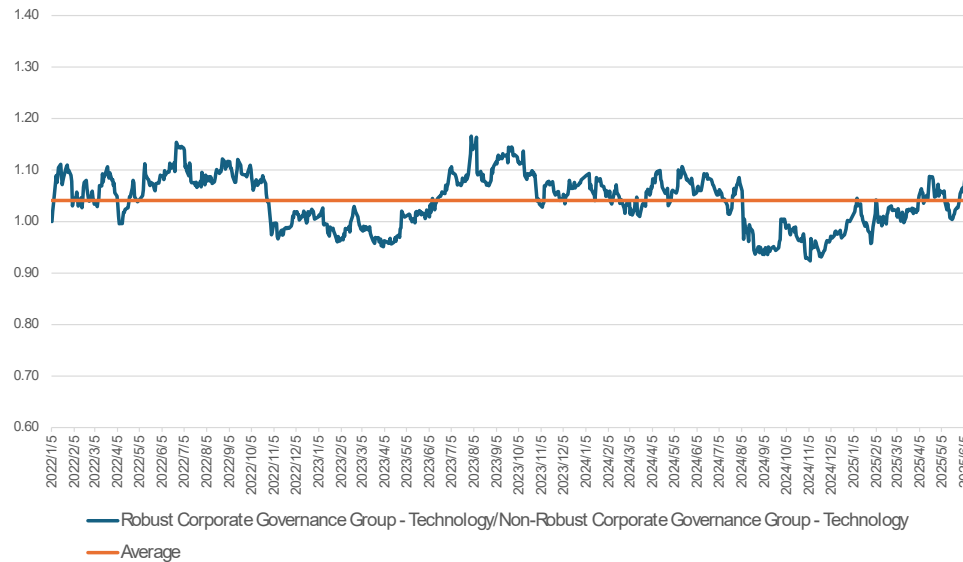


Figure 4. Calculated Index Values of Robust Corporate Governance Group - Technology/ Calculated Index Values of Non-Robust Corporate Governance Group - Technology

Source: Author's own research.

In order to answer RQ#3, Index values of Robust Corporate Governance Group and those of Robust Corporate Governance Group – Technology were compared. Figure 5 and Figure 6 show the comparison of both indexes. During the three- and half-year timeframe from January 5th, 2022 to June 11th, 2025, sometime the calculated index values of Robust Corporate Governance Group – Technology were less than those of Robust Corporate Governance Group but the calculated index values of Robust Corporate Governance Group - Technology were more than those of Robust Corporate Governance Group for more than half of the days in Figure5. Figure 6 shows the same result as Figure 5. For more than half of the days, the values were more than 1 and the average value was also more than 1 but the value is less than Robust vs non-robust comparison. As such, it is concluded that robust corporate governance provides more positive effect on the corporate values of the Japanese technology companies than those of the Japanese general companies.

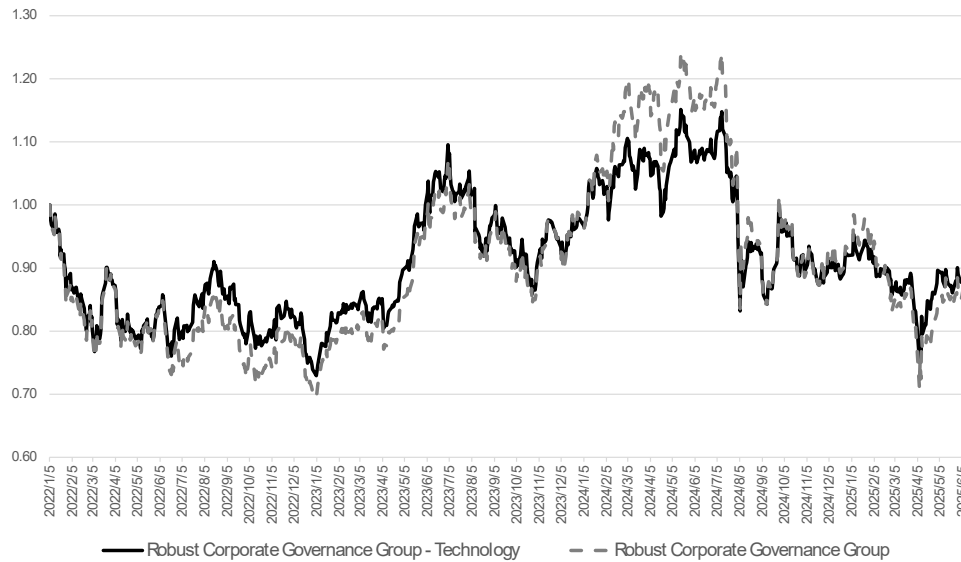


Figure 5. Calculated Index Values of Robust Corporate Governance Group – Technology and Robust Corporate Governance Group (indexed price of January 5th, 2022 = 1)

Source: Author's own research.

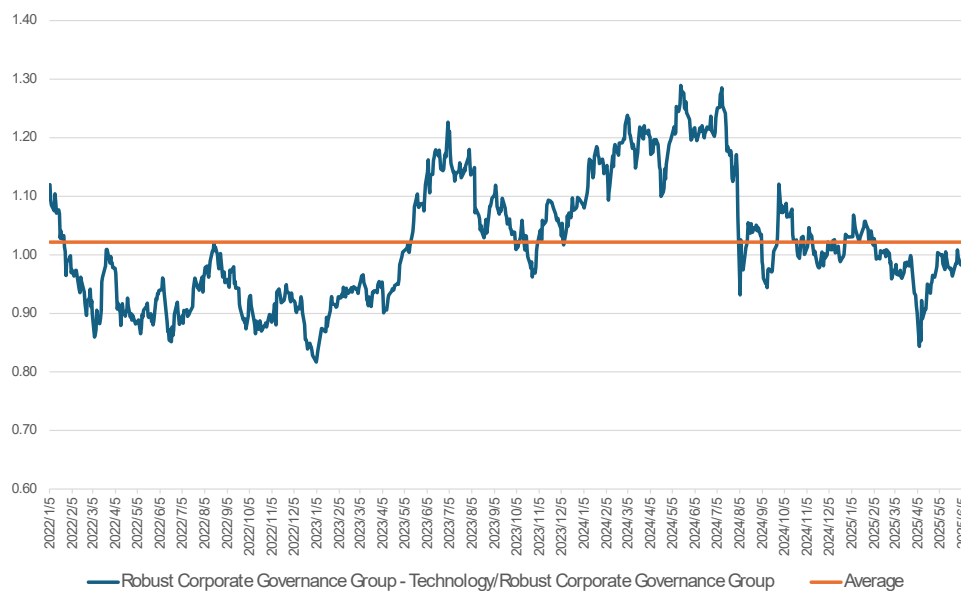


Figure 6. Calculated Index Values of Robust Corporate Governance Group - Technology/ Calculated Index Values of Robust Corporate Governance Group

Source: Author's own research.

5. Conclusions

The results of data analysis performed in this study show that robust corporate governance provide positive effect on the corporate value of Japanese general companies and Japanese technology companies, at least during the three- and half-year timeframe from January 5th, 2022 to June 11th, 2025. In addition, it is also concluded that robust corporate governance provides not strong but some positive effect on the corporate value of Japanese technology companies more than those of Japanese general companies for the same timeframe.

Based on the historical stock price of TOPIX 100 companies, index values were calculated for the robust corporate governance group by using GPIF's report where GPIF showed the list of excellent corporate governance companies for the three- and half-year timeframe from January 5th, 2022 to June 11th, 2025. And other index values were also calculated for the group of companies which were included in TOPIX 100 but not included in GPIF's list for comparison purposes. Based on the data analysis, index value of the robust corporate governance group outperformed compared with those of non-robust corporate governance group. As such, it is concluded that robust corporate governance provides positive effect on the corporate values of the Japanese general companies.

Other data analysis was conducted to examine the robust corporate governance effect on the Japanese technology companies. The group of robust corporate governance technology companies was created based on industry classification of the Tokyo Stock Exchange. Then index values were also calculated for robust corporate governance technology group and non-robust corporate governance technology companies. Based on the data analysis, index value of the robust corporate governance technology group outperformed compared with those of non-robust corporate governance technology group. As such, it is concluded that robust corporate governance provides positive effect on the corporate values of the Japanese technology companies.

Final analysis was conducted to examine the differences between Japanese general companies and Japanese technology companies regarding the effect of robust corporate governance on the corporate value. Based on the data analysis, the index value of the robust corporate governance technology group slightly outperformed compared with those of robust corporate governance group. As such, it is concluded that robust corporate governance provides more positive effect on the corporate values of the Japanese technology companies than those of the Japanese general companies.

Although many researchers studied the effect of robust corporate governance on corporate values, there are few research which focused on technology companies. This study provided data evidence which shows robust corporate governance provide positive effect on the corporate values of Japanese technology companies. As such, management team of Japanese technology companies should enhance corporate governance activities.

However, the limitations of this study are the definition of robust corporate governance, the definition of technology companies, and the growth stage of the companies. In this research, GPIF'S report was used to define robust corporate governance companies. However, there may be other definitions to be used for the robust corporate governance companies. The definition of technology companies is also considered as a limitation. Since there is no clear definition of technology companies, Tokyo Stock Exchange's Industry Classification was used for this research purposes and classified as technology companies based on industry characteristics and each company's business model. However, there may be other companies which can be treated as technology companies. Lastly the growth stage aspect is also considered as a limitation. In this research, data from historical stock prices of TOPIX 100 were used for research purposes. However, these companies are well-established companies. There may or may not be different robust corporate governance effects on young or start-up companies.

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