



# **TSE Explanatory Material a)**

*The Eighth Council of Experts Concerning  
the Follow-up of Market Restructuring*

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**Exchange & beyond**  
**Tokyo Stock Exchange, Inc.**

February 15, 2023

# I . Concept and Institutional Design of the Growth Market

## II . Current Status of the Growth Market

1. Status of IPOs
2. Status of Listed Companies

## III . Overview and Current Status of TOKYO PRO Market

## IV . Items for Discussion



## Concept

- For companies which have a certain level of market value by disclosing business plans for realizing high growth potential and their progress towards these achieving these plans appropriately and in a timely manner, but at the same time pose a relatively high investment risk in terms of their business track record.

## Institutional Design

- Take over the role and function of providing growth capital to startups that Mothers had played, and **maintain a broad frontage for listing** (e.g., market capitalization of JPY 500 million or more for tradable shares, etc.)
  - Given the limited amount of funds supplied to private companies in Japan, Mothers had set a **relaxed listing criteria** to allow startups with high growth potential to raise growth funds from the public market even at a smaller size.
- Institutionalize **disclosure of “Business Plans and Matters Related to High Growth Potential”** based on the market concept.
  - At the time of listing and at least once a year thereafter, disclose updated information reflecting progress.
- From the viewpoint of seeking a healthy realization of high growth potential, **the continued listing criteria for market capitalization (JPY 4 billion or more) is applicable ten years after IPO.**
- **Listing of voting class shares** is also envisioned as a means for startup management to raise growth capital while maintaining control.

# Reference: Listing Criteria for the Growth Market

Item	Purpose	Outline of Listing Requirements															
<p><b>Business Plans</b></p>	<p>➤ A business plan to realize high growth potential and that enables investors to make reasonable investment decisions based on information disclosed</p>	<p>➤ All requirements below must be met</p> <ul style="list-style-type: none"> <li>Reasonable business plans in place</li> <li>Principle underwriter submits basis for its opinion on company's high growth potential</li> <li>Appropriate disclosure (after listing as well) on business plans and matters related to high growth potential (business model, market size, source of its competitive advantages, business risk)</li> </ul> <p>➤ Below required to ensure high growth potential is achieved/realized appropriately</p> <table border="1" data-bbox="831 568 2141 679"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td><b>Market Capital</b></td> <td>–</td> <td><b>from 10th yr. of IPO JPY 4bn.</b></td> </tr> </tbody> </table>	Criteria	Initial Listing	Continued Listing	<b>Market Capital</b>	–	<b>from 10th yr. of IPO JPY 4bn.</b>									
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<p><b>Liquidity</b></p>	<p>➤ Minimum criteria to ensure appropriate liquidity for smooth trade by public investors</p>	<table border="1" data-bbox="831 722 2141 999"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td>No. of Shareholders</td> <td>At least 150 shareholders</td> <td>At least 150 shareholders</td> </tr> <tr> <td>No. of Tradable Shares</td> <td>At least 1,000 units</td> <td>At least 1,000 units</td> </tr> <tr> <td><b>Tradable Share Market Cap</b></td> <td><b>At least JPY 0.5 bn.</b></td> <td><b>At least JPY 0.5 bn.</b></td> </tr> <tr> <td>Trading Value</td> <td>-</td> <td>At least monthly avg.10 units</td> </tr> </tbody> </table>	Criteria	Initial Listing	Continued Listing	No. of Shareholders	At least 150 shareholders	At least 150 shareholders	No. of Tradable Shares	At least 1,000 units	At least 1,000 units	<b>Tradable Share Market Cap</b>	<b>At least JPY 0.5 bn.</b>	<b>At least JPY 0.5 bn.</b>	Trading Value	-	At least monthly avg.10 units
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Trading Value	-	At least monthly avg.10 units															
<p><b>Governance</b></p>	<p>➤ Governance standard appropriate to the level of size of business and growth stage Note: Only Basic Principles of CG Code applied</p>	<p>➤ Basic level of tradable share ratios required as public company (same level as global stock exchanges)</p> <table border="1" data-bbox="831 1117 2141 1225"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td><b>Tradable Share Ratio</b></td> <td><b>At least 25%</b></td> <td><b>At least 25%</b></td> </tr> </tbody> </table> <p>➤ <b>In listing of voting class shares</b>, JPXR will examine whether the use of stocks with a large number of voting rights is necessary from the perspective of the common interest of shareholders (<b>necessity</b>) and whether the scheme for the shares of class stock with voting rights is deemed to be appropriate on the basis of the need to use stocks with a large number of voting rights, etc. (<b>appropriateness</b>).</p>	Criteria	Initial Listing	Continued Listing	<b>Tradable Share Ratio</b>	<b>At least 25%</b>	<b>At least 25%</b>									
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# Reference: Disclosure of “Business Plans and Matters Related to High Growth Potential”



- All listed companies on the Growth Market disclosed "Business Plans and Matters Related to High Growth Potential" by the end of 2021.
- Progress must be disclosed at least once a year, within three months of the end of each business year.

Disclosed Items		Contents
<b>Business Model</b>	Business	➤ Details and characteristics of the products and services, contribution of each business, and the details and processes of permits and approvals that will be required in the future
	Earnings Structure	➤ Contracts with terms and conditions that have a significant impact on revenue and expense structures, cash flow acquisition streams, and earning structures
<b>Market Environment</b>	Market Size	➤ Details and size of the market (type of customer, region, etc.)
	Competitive Environment	➤ Details of competition, company’s positioning, market share, etc.
<b>Source of Competitiveness</b>	Competitive Advantage	➤ Technology, intellectual property, business models, know-how, brands, human resources, etc. that will serve as growth drivers
<b>Business Plan</b>	Growth Strategy	➤ Management policies and growth strategies, and specific measures to realize them (R&D, capital investment, marketing, personnel, financial planning, etc.) *The period covered by the business plan is expected to vary depending on the business activities of each listed company.
	Management Index	➤ Indexes that are important for management (reasons for adopting them as indexes, actual values, specific target values, etc.)
	Profit Plans and Assumptions	➤ If a medium-term management plan has been announced, its contents and assumptions
	Progress	➤ Status of achievement of previously stated items, updates from previously stated items, and next scheduled disclosure date
<b>Risk Information</b>	Perceived Risks and Countermeasures	➤ Major risks that could have a significant impact on the realization of growth and the execution of the business plan, and measures to address them

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## IPO Market Trends

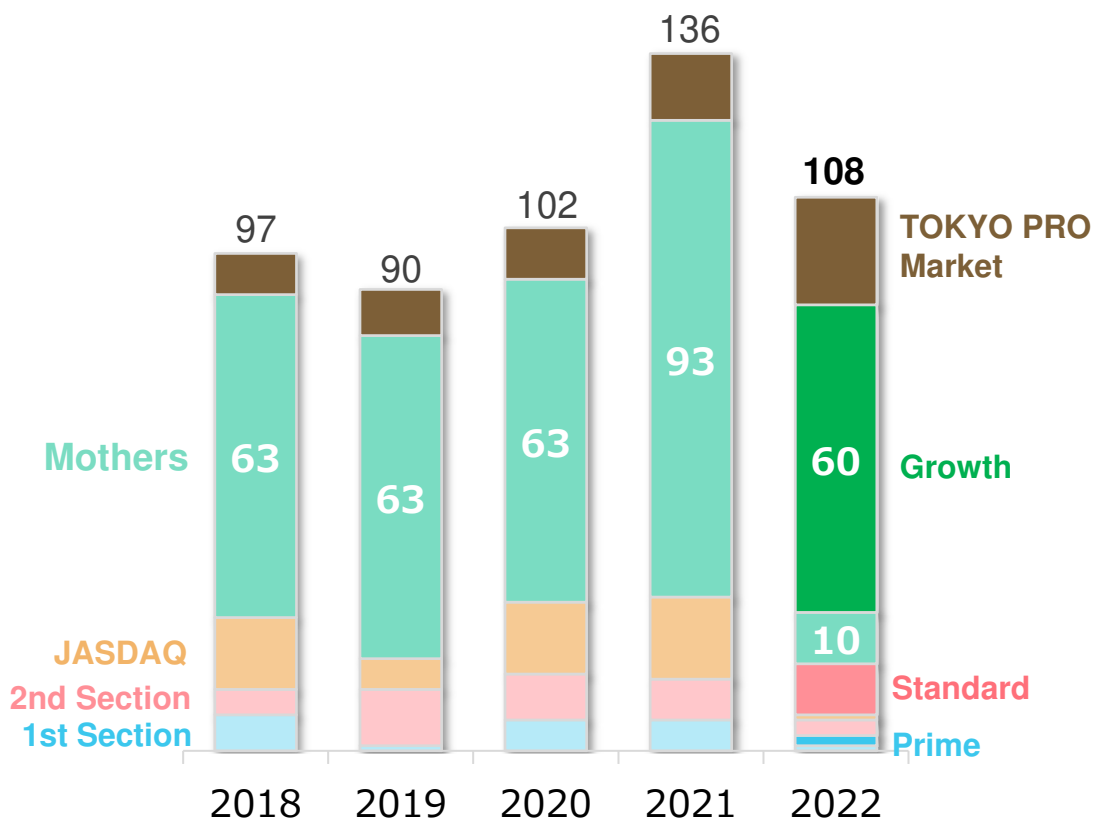
- While **about 100 companies have been listed every year** in recent years (**about 70% are listed on Mothers/the Growth Market**), the **size of market capitalization and amount of funds raised at the time of IPO are relatively small** compared to overseas markets.
  - **The majority of IPOs have a market capitalization of less than JPY 10 billion and raised less than JPY 1 billion, with limited participation by institutional investors** (more than 80% of allocations of IPO are to individual investors).
  - In addition, **about 60% of new listings have a larger amount of secondary offering than that of public offering.**
- **There are limited cases of listing voting class shares.** (only one issue, listed in 2014)

## Fundraising Environment for Private Companies

- While **funding for private companies in Japan had traditionally been limited**, this has **increased in recent years** (more than 10 times over 10 years).
  - The government's "Startup Development Five-year Plan" has set a goal to **increase the provision of funds to startups 10-fold (up to JPY 10 trillion)** in five years, and **public and private sector efforts are progressing toward achieving this goal.**

- While about 100 companies have been listed every year in recent years (about 70% are listed on Mothers/the Growth Market), the size of market capitalization and amount of funds raised at the time of IPO are relatively small compared to overseas markets.

## Number of IPOs in Japan



Note: Includes initial listings on TOKYO PRO Market, but excludes technical listings and listings via TOKYO PRO Market.

## Amount of Capital Raised and Market Cap. at IPO

(billion yen)

Year	Mothers		U.S.	
	Average Market Cap.	Average Amount of Capital Raised	Average Market Cap.	Average Amount of Capital Raised
2017	8.3	0.8	183.4	26.0
2018	16.3	2.3	193.4	30.0
2019	15.1	1.3	354.6	42.0
2020	10.1	1.0	499.6	45.0
2021	15.9	1.4	458.3	45.8

Small in scale compared to the U.S.

Note: Market capitalization is calculated based on public offering price  
Source: University of Florida Prof. Jay Ritter "Initial Public Offerings: Underpricing"

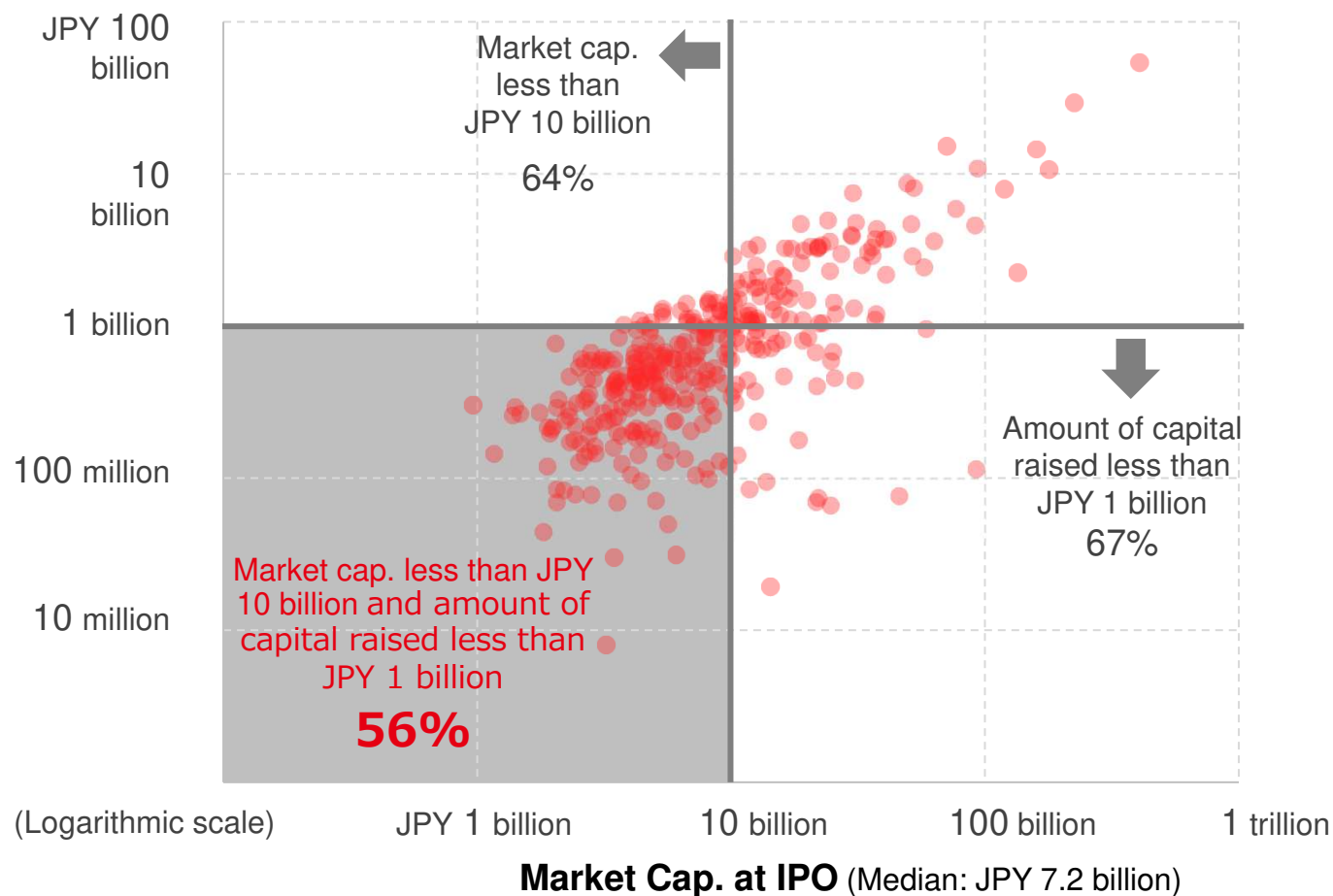


# Reference: Distribution of Market Cap. and Amount of Capital Raised at IPO

- The majority of IPOs have a market capitalization of less than JPY 10 billion and raised less than JPY 1 billion, with limited participation by institutional investors (more than 80% of allocations of IPO are to individual investors).

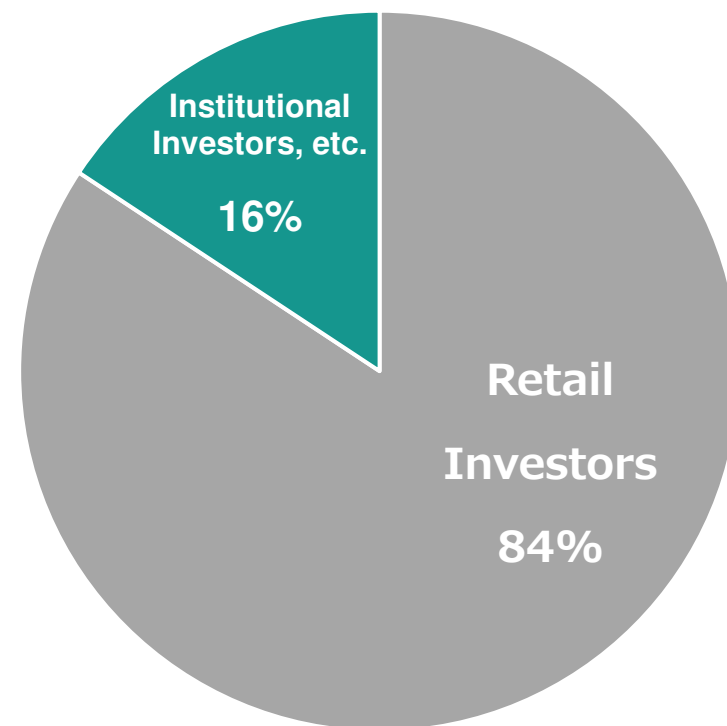
## Distribution of Market Cap. and Amount of Capital Raised at IPO

Amount of Capital Raised at IPO (Median: JPY 0.6 billion)



## Allocation at IPO

(average between 2019 and 2021)



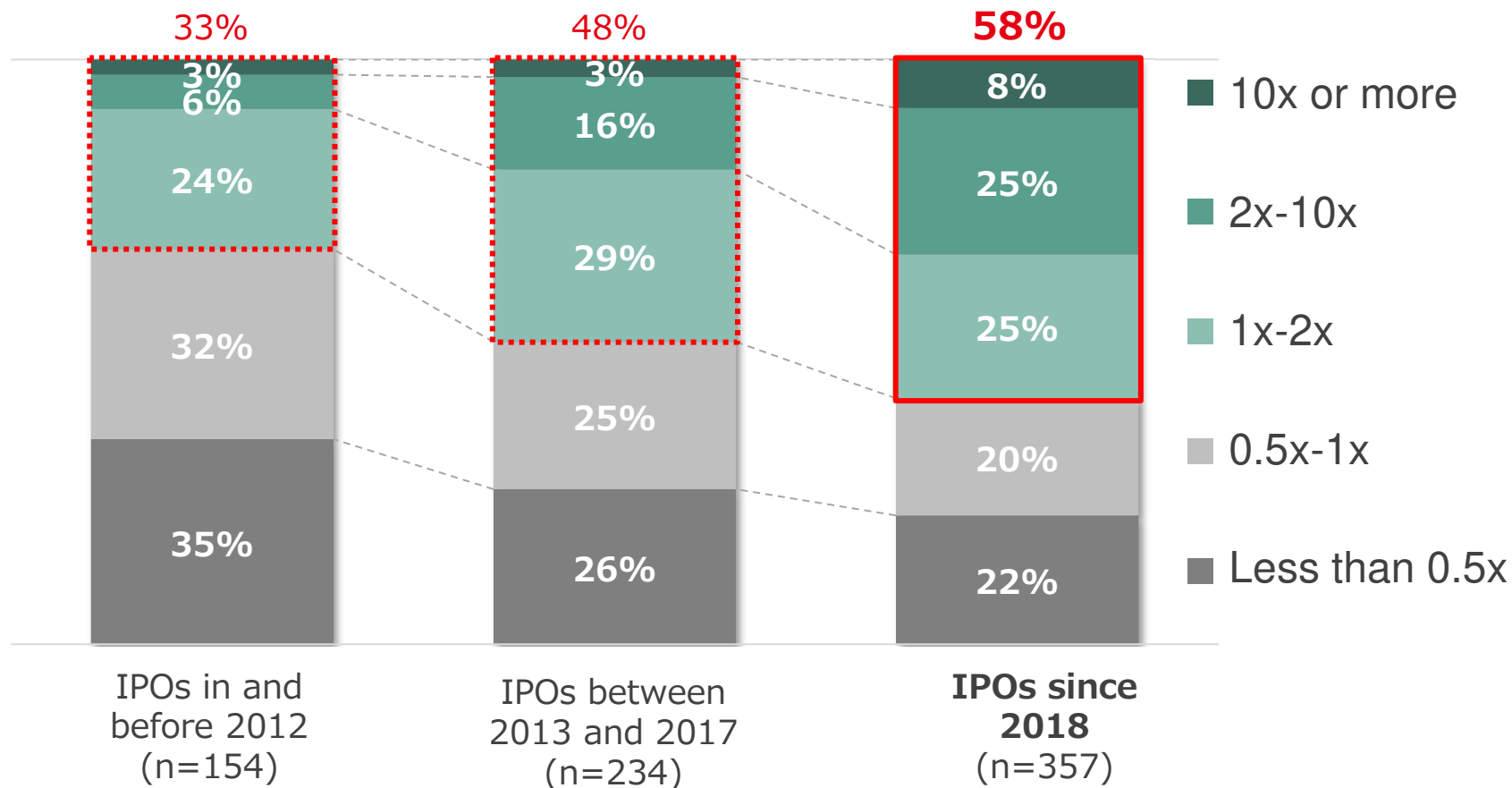
Note: Compiled by TSE from "Retail Investors in Transactions by Investor Sector," Japan Securities Dealers Association

Note: Plots 357 companies newly listed on Mothers/the Growth Market since 2018.

- In addition, **about 60% of new listings (since 2018) have a larger amount of secondary offering than that of public offering.** (Increasing in recent years)

## Ratio of Secondary Offering Size to Public Offering Size at Timing of Listing (Secondary Offering Size / Public Offering Size)

IPOs where the secondary offering size exceeds the public offering size



Note: Compiled for companies listed on Mothers/the Growth Market between 2005 and 2022.

- TSE established a listing rule for shares with voting rights in 2018, **allowing the listing of shares with fewer voting rights, but only one issue is currently listed.**

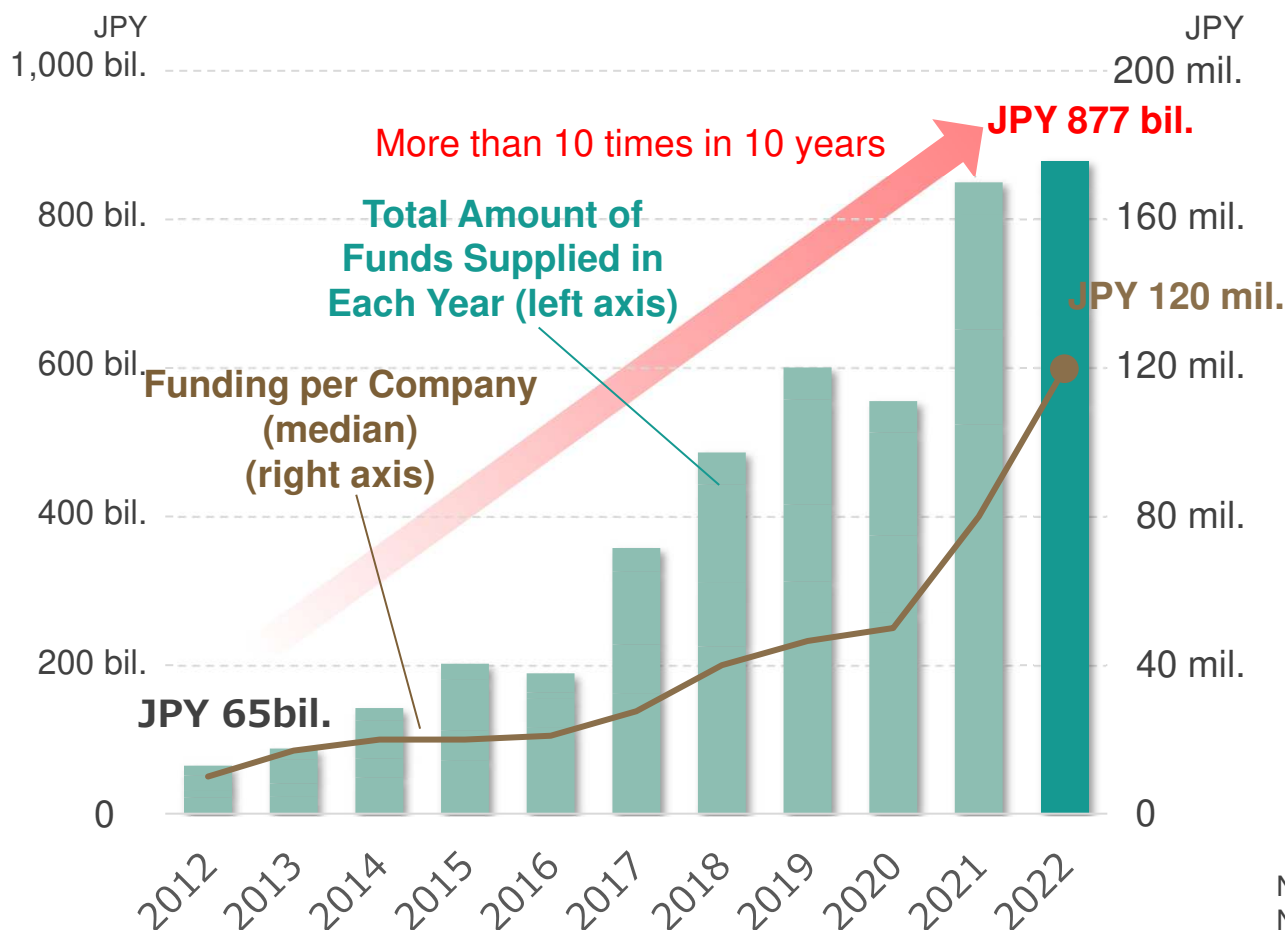
## Trends Relating to Share Class

Date	Content
2001	■ Commercial Law revised (scope of potential issuance of share classes expanded).
July 2008	■ <b>TSE established a listing rule for shares with voting rights</b> (allowing listing of shares with fewer voting rights).
March 2014	■ CYBERDYNE Inc. listed class of shares with voting rights.
July 2014	■ Based on the case of CYBERDYNE Inc., TSE clarified the examination criteria (necessity and appropriateness).

# Reference: Status of Funding for Private Companies

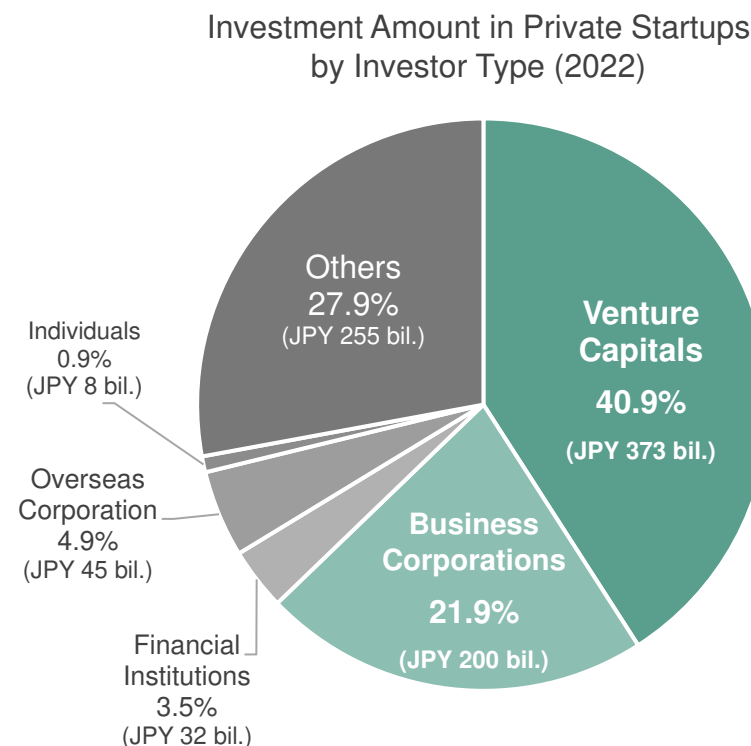
- **Funding for private companies has increased in recent years** (more than 10 times over 10 years, and funds supplied per company have also increased).
  - The government's "Startup Development Five-year Plan" (published in November 2022) has set a goal to **increase the provision of funds to startups by 10-fold (up to JPY 10 trillion)** over five years.

## Amount of Funds Provided to Private Companies



Note: Compiled by TSE from INITIAL "Japan Startup Finance 2022" and other sources.

## Ref. Investment Amount by Investor Type



Note: Compiled by TSE from INITIAL "Japan Startup Finance 2022"  
 Note: Investment amount differs in part from the scope of funding shown on the left, and includes INITIAL's estimates.  
 Note: "Other" includes unclassified and unknown.

- The government's "Startup Development Five-year Plan" outlines **public-private initiatives to enhance funding provision for startups.**

## Excerpts from the "Startup Development Five-year Plan"

### 5. Second Pillar: Enhancing Funding provision for Startups and Diversifying Exit Strategies

#### (14) Develop the IPO process

- In line with the "IPO Process Review" from April of 2022 and based on the review, the securities industry and competition authorities will steady review the IPO system and improve its operation. Additionally, listing examination for companies for which it is difficult to assess their corporate value, such as deep tech startups that utilize new technologies in cutting-edge fields, will be realized, and direct listings, wherein only existing shares are listed without the issuance of new shares, will also be utilized.

#### (16) Creation of a secondary market for unlisted stocks

- Currently, private trading systems (PTS) operated by securities companies are not permitted to handle unlisted stocks even for professional investors. In order to enable the handling of unlisted stocks for professional investors so that startups can grow without being listed, the relevant Cabinet Orders for the Financial Instruments and Exchange Act will be revised during FY2023.

#### (17) Review the private placement system for professional investors

- In July 2022 the Japan Securities Dealers Association (JSDA) revised its rules regarding the private placement system for professional investors, which allows startups to solicit applications to acquire newly issued securities, from professional investors only, as a means of raising funds, and made the system available for unlisted securities as well. On the other hand, there have been some comments that there is a heavy administrative burden on startups for the specified securities information (corporate information and business performance, etc.) that is newly required to be provided or disclosed under the new regulations. Based on this, the utilization status of the new system will be followed up on and revised as necessary while also taking into account actual needs and the perspective of investor protection.

### 6. Third Pillar: Promoting Open Innovation

#### (2) Review public stock offering rules

- Currently, when conducting a public stock offering, the JSDA's self-regulations stipulate that, in principle, the funds must be allocated within one year of when a public offering is made, and this has become an obstacle to M&A of startups by large companies. In the future these self-regulations will be revised, such as by abolishing the deadline for allocating funds, with implementation in mid-FY2023.

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## Growth after listing

- **Many issues are mainly traded and held by individuals, and many companies have high PBRs even if they are in deficit, which suggests that investors expect companies to have high growth potential in the future.**
- **On the other hand, while listed companies achieve high growth after listing on average, few companies have achieved significantly high growth, and about half of the companies have a lower market capitalization than when they first listed.**
  - **Only a limited number of companies have raised large amounts of capital through public offerings after listing. (Only about 14% of the companies have made public offerings after listing.)**
  - **There are some cases where high growth could not be achieved even after a certain period of time after listing.**

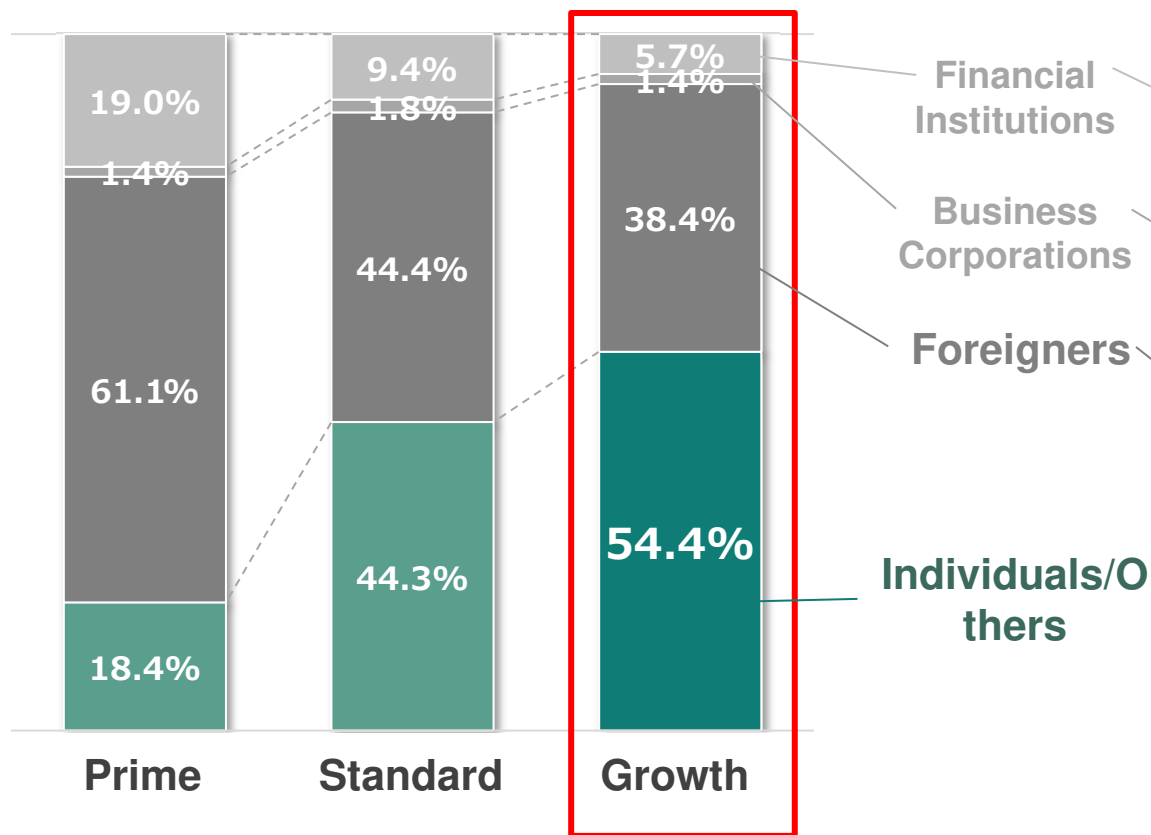
## Information Disclosure

- **Investors and analysts have commented on the progress made in disclosing information on business models, competitive advantages, growth potential, etc., through the newly instituted disclosure of “Business Plans and Matters Related to High Growth Potential” etc.**
  - **Some pointed out the importance of continuous disclosure of the progress of business plans, etc., and called for further enhancement of disclosure on points that are important for investment decision making.**

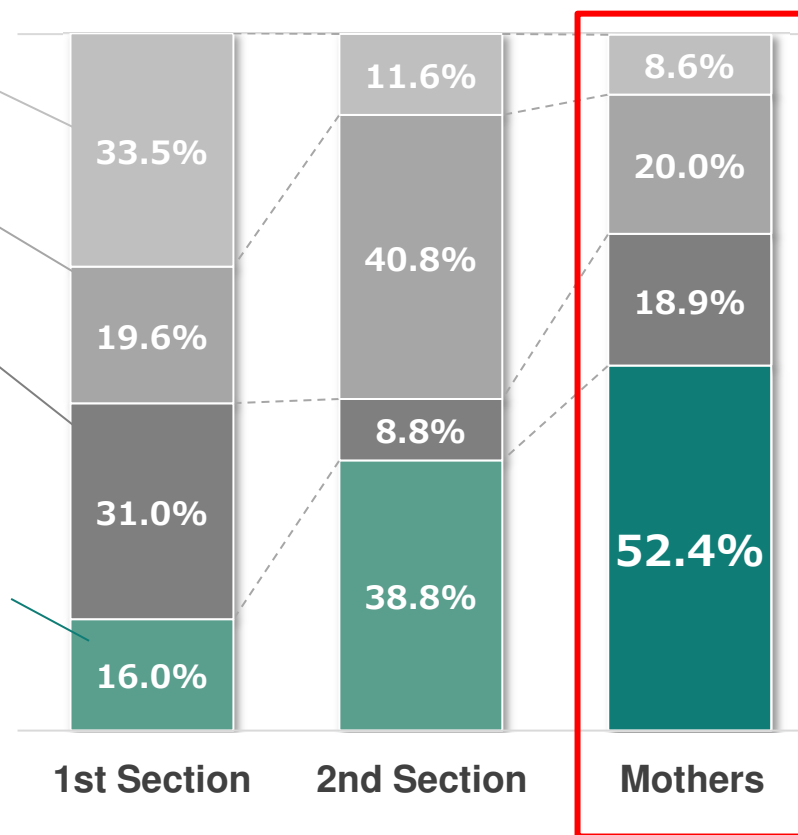
# Reference: Trading and Share Ownership by Type

● In the Growth Market (formerly Mothers), **individuals account for the majority of trading and share ownership of listed companies.**

### Trading by Type of Investors



### Share Ownership by Type



Note: Survey results in 2022 (data after transition to the new market segments)  
 Note: Financial institutions include ordinary banks, trust banks, life and non-life insurance companies, securities companies, etc.

Note: Survey results in FY2021  
 Note: Financial institutions include ordinary banks, trust banks, life and non-life insurance companies, securities companies, etc.



# Reference: Distribution of PBR and ROE

- Many companies have high PBRs even if they are in deficit, which suggests that investors expected them to have high growth potential in the future.

➤ A certain number of companies have high profitability, such as an ROE of 20% or more.

## Distribution of PBR and ROE

### P B R

### R O E

		Less than 1x	1x - 2x	2x - 3x	3x - 4x	4x - 5x	5x or More	Total
				PBR of more than 1x even in deficit				
R O E	Less than 0%	4 (1%)	24 (5%)	18 (4%)	18 (4%)	11 (2%)	52 (11%)	127 (27%)
	0-10%	15 (3%)	30 (6%)	20 (4%)	8 (2%)	4 (1%)	15 (3%)	92 (20%)
	10-20%	8 (2%)	30 (6%)	23 (5%)	15 (3%)	14 (3%)	16 (3%)	106 (23%)
	20% or More	3 (1%)	19 (4%)	21 (4%)	11 (2%)	17 (4%)	73 (16%)	144 (31%)
	Total	30 (6%)	103 (22%)	82 (17%)	52 (11%)	46 (10%)	156 (33%)	469 (100%)

Note: Compiled by TSE based on QUICK data as of January 31, 2023.

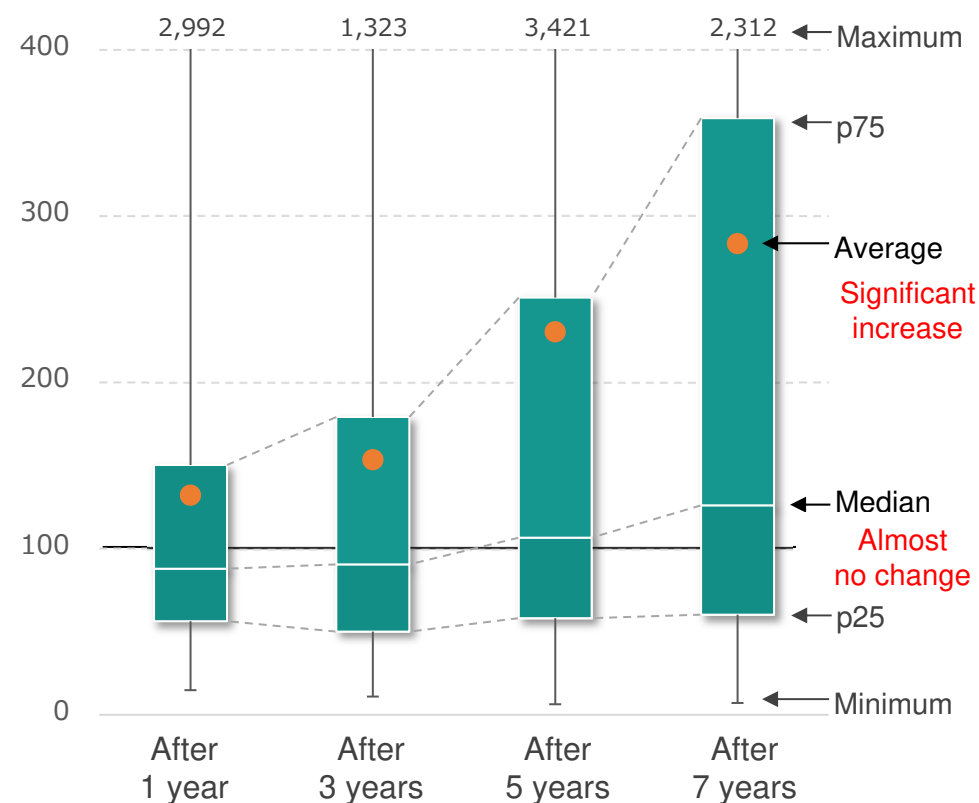
Note: Includes 469 Growth Market listed companies with available data.

# Reference: Growth after Listing

- On average, Mothers listed companies achieve high growth after listing.
- However, there is **no significant growth in the median market capitalization** of listed companies, and **about half of the companies have a lower market capitalization than when they listed.**

## Market Cap. after X Years since Listing (where market cap. at the end of the listing month is 100)

	After 1 year	After 3 years	After 5 years	After 7 years
<b>Average</b>	<b>132</b>	<b>153</b>	<b>230</b>	<b>283</b>
Maximum	2,992	1,323	3,421	2,312
p75	150	179	251	359
<b>Median</b>	<b>88</b>	<b>90</b>	<b>107</b>	<b>126</b>
p25	56	50	58	60
Minimum	15	11	6	7
Sample Size	488	362	243	142



- Note:
- Companies listed on Mothers since 2010 are scored on market capitalization after X years from listing where the market capitalization at the end of the listing month is 100.
  - Companies delisted X years after listing are excluded from the calculation at the point of delisting.
  - “p75” indicates companies in the 75th percentile from bottom, and “p25” indicates companies in the 25th percentile from bottom.

# Reference: Companies that Reached a Market Cap. of JPY 100 Billion after Listing on Mothers/the Growth Market

Updated Version of the  
First Council's Material

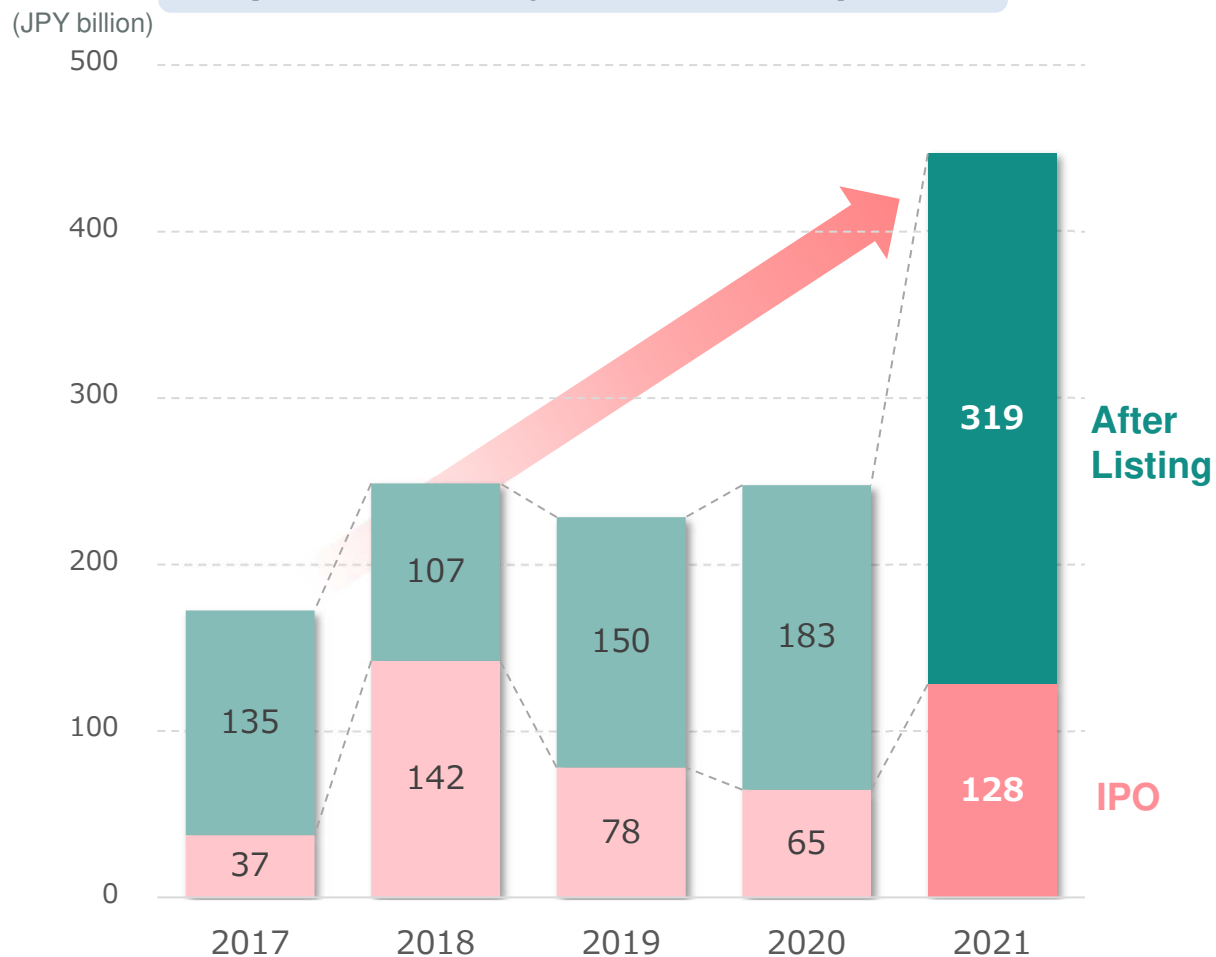


#	Code	Issue Name	Listing Date	Market Segment	Sector	Market Cap. at the End of Listing Month (JPY billion)	Latest Market Cap. (JPY billion)	Change Rate
1	3186	NEXTAGE Co.,Ltd.	2013/7	Prime	Retail Trade	5.8	250.3	43.4x
2	6532	BayCurrent Consulting,Inc.	2016/9	Prime	Services	25.8	839.2	32.5x
3	3697	SHIFT Inc.	2014/11	Prime	Info. & Communication	19.4	427.7	22.0x
4	6200	Insource Co.,Ltd.	2016/7	Prime	Services	6.1	121.5	19.9x
5	6544	JAPAN ELEVATOR SERVICE HOLDINGS CO.,LTD.	2017/3	Prime	Services	10.8	180.6	16.7x
6	3923	RAKUS Co.,Ltd.	2015/12	Prime	Info. & Communication	21.0	335.8	16.0x
7	3962	CHANGE Inc.	2016/9	Prime	Info. & Communication	14.2	170.4	12.0x
8	6080	M&A Capital Partners Co.,Ltd.	2013/11	Prime	Services	13.2	124.5	9.4x
9	3445	RS Technologies Co.,Ltd.	2015/3	Prime	Metal Products	11.8	102.1	8.6x
10	2931	Euglena Co.,Ltd.	2012/12	Prime	Foods	15.1	115.6	7.6x
11	9517	eREX Co.,Ltd.	2014/12	Prime	Electric Power & Gas	20.2	137.2	6.8x
12	3994	Money Forward,Inc.	2017/9	Prime	Info. & Communication	56.4	282.1	5.0x
13	9519	RENOVA,Inc.	2017/2	Prime	Electric Power and Gas	38.9	163.4	4.2x
14	4480	MEDLEY,INC.	2019/12	Prime	Info. & Communication	35.8	142.3	4.0x
15	9418	USEN-NEXT HOLDINGS Co.,Ltd.	2014/12	Prime	Info. & Communication	37.5	138.3	3.7x
16	9552	M&A Research Institute Inc.	2022/6	Growth	Services	46.0	168.9	3.7x
17	9229	SUNWELS Co.,Ltd.	2022/6	Growth	Services	32.4	100.4	3.1x
18	4587	PeptiDream Inc.	2013/6	Prime	Pharmaceutical	92.7	268.2	2.9x
19	3479	TKP Corporation	2017/3	Growth	Real Estate	61.1	126.8	2.1x
20	4485	JTOWER Inc.	2019/12	Growth	Info. & Communication	86.9	123.6	1.4x

Note: Companies listed on Mothers/the Growth Market since 2010 with a market capitalization of less than JPY 100 billion as of the end of the listing month and a market capitalization of JPY 100 billion or more as of January 31, 2023.

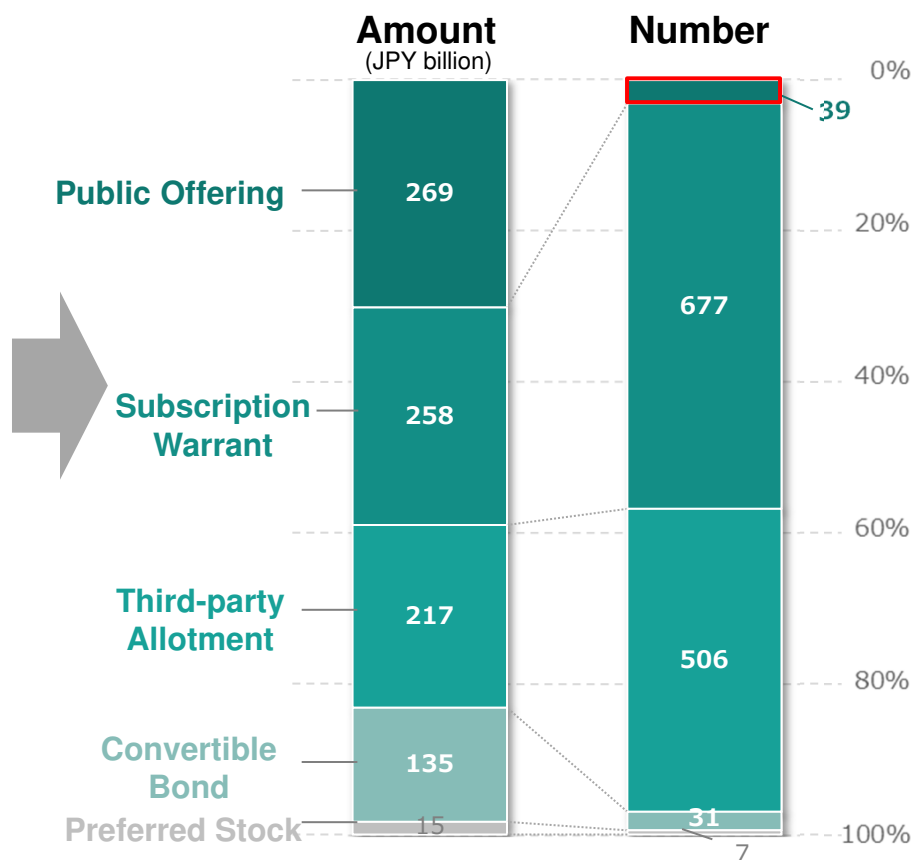
● The amount of capital raised after listing has been increasing, but very few companies raised capital on a large scale through public offerings.

### Capital Raised by Mothers Companies



### Capital Raised after Listing by Mothers Companies

(other than IPOs, 2017-2021 total)



# Reference: Ratio of Companies that Made a Public Offering After Listing

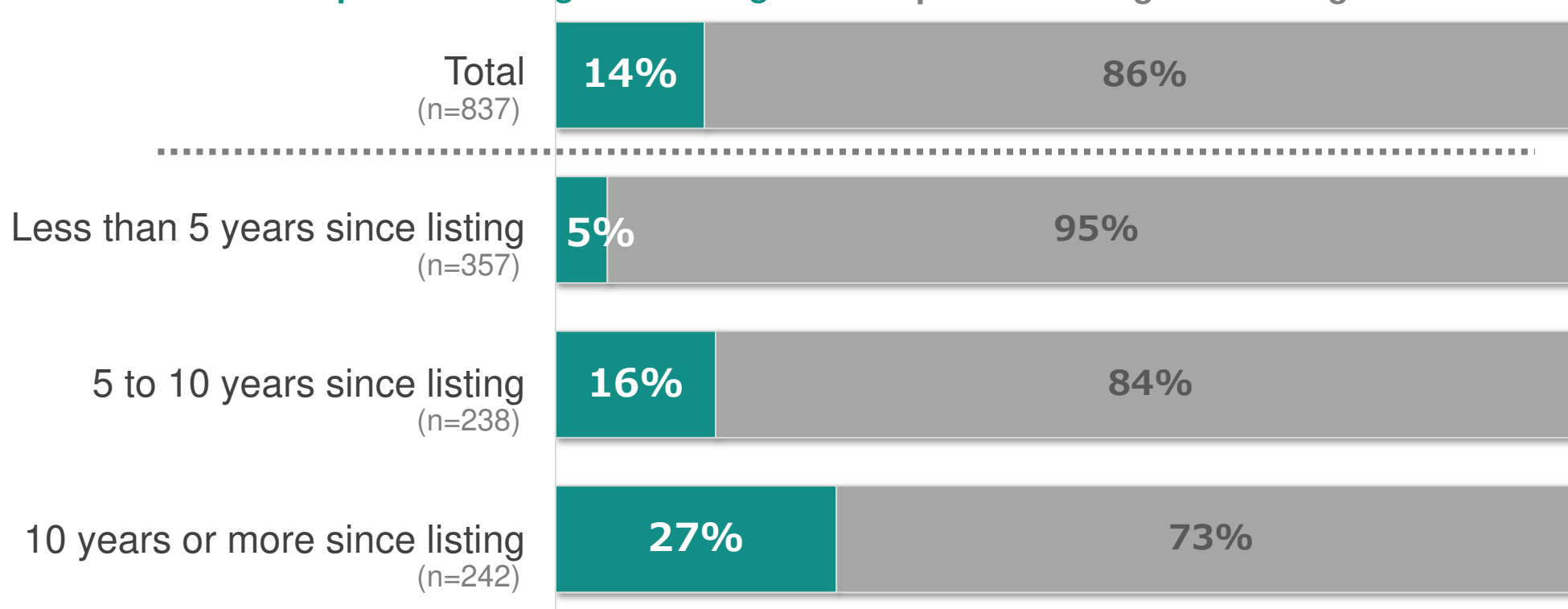
- Only about 14% of companies listed on Mothers/the Growth Market have raised capital through a public offering after their listing.

**Note:** Even among companies that have been listed for more than 10 years (listed before 2012), only about 27% have made a public offering.

## Ratio of Companies That Made a Public Offering After Listing

Companies that have made a public offering after listing

Companies that have NOT made a public offering after listing

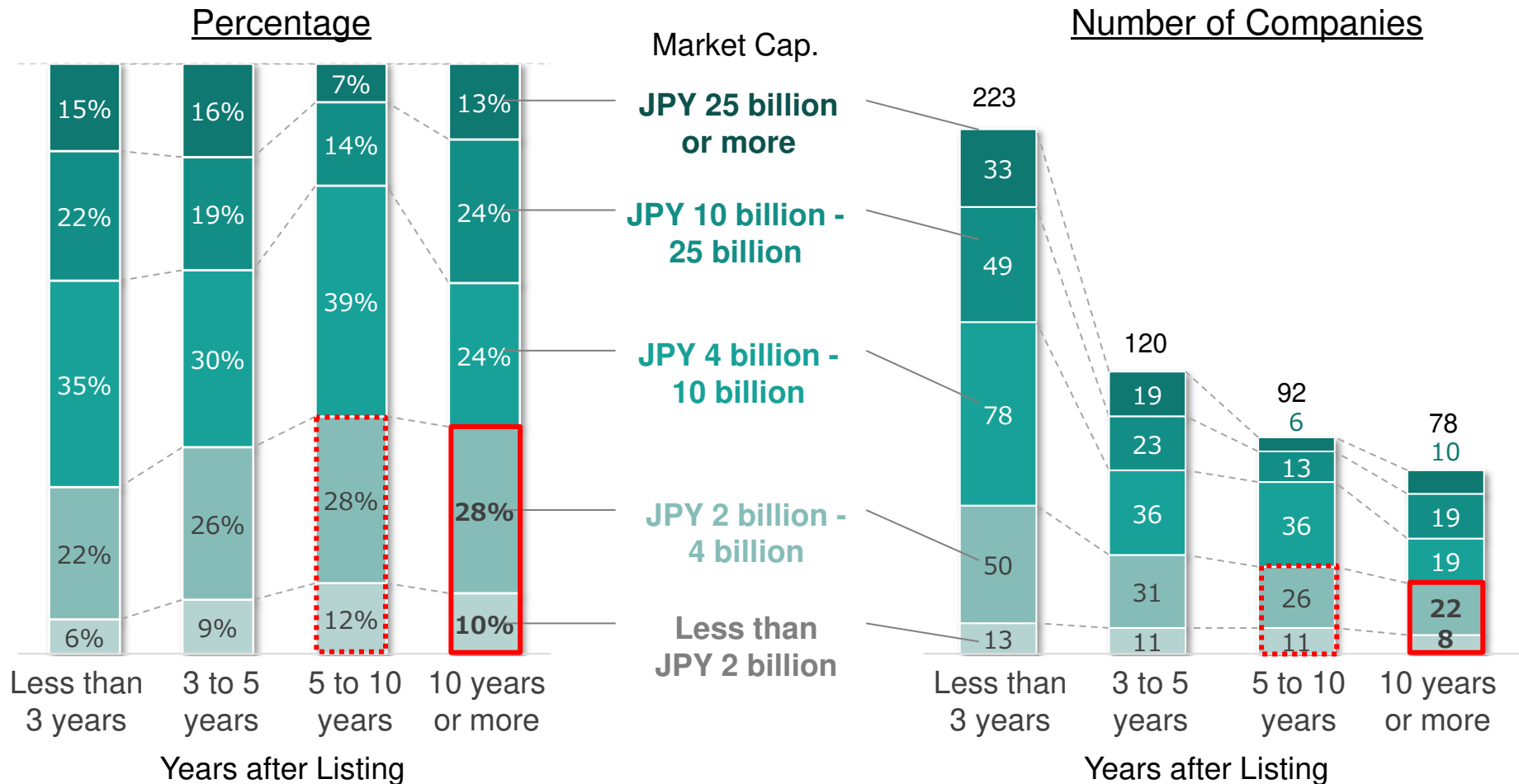


Note: Compiled for 837 companies listed on the Mothers/the Growth Market since 2003.

# Reference: Distribution of Market Capitalization by Years after Listing

- There are **some cases where high growth could not be achieved even after a certain period of time after listing**. (30 companies with market capitalization of less than JPY 4 billion after 10 years or more since listing.)

## Distribution of Market Cap. by Years after Listing



Note: Covering 513 Growth Market listed companies as of the end of 2022.  
 Note: Market capitalization is based on the average closing price from October to December 2022.

- Investors and analysts have commented on **the progress made in disclosing information on business models, competitive advantages, growth potential**, etc., through the newly instituted disclosure of “Business Plans and Matters Related to High Growth Potential” etc.
  - Some pointed out **the importance of continuous disclosure of the progress of business plans**, etc., and **called for further enhancement of disclosure on points that are important for investment decision making**.

## Investors and Analysts Opinions

### General Comments

- **Disclosure is improving**, including in explanatory materials at the time of listing and in financial results presentation materials.
- **Business models and sources of competitiveness are being explained in an easy-to-understand manner**, and third-party data is being used as evidence. In addition, **the connection between the sources of competitiveness and the business plan, and the explanation of why the company will grow are becoming better organized**.
- Some companies are imitating other companies' disclosure practices that are highly rated by investors, **resulting in more uniformity in disclosure formats**. It is good to imitate good examples, but we would like to see companies differentiate their disclosures, as they may have different perceptions of the issues they face.

### Disclosure of “Business Plans and Matters Related to High Growth Potential”

- Investors have a limited understanding of companies that have just been listed, and this disclosure format is **a useful tool to improve the efficiency of their investigations**.
- In some cases, **companies with insufficient disclosure practices have improved by this disclosure format**.
- **The disclosure of such information enables periodic observation** of the market environment, competitive advantages, growth strategies, investment plans, and so on. Particularly for startup companies, the business environment can change significantly in a short period of time, so **regular updates are important**.
- Since **descriptions are sometimes superficial**, more detailed explanations would be helpful.

Note: Excerpts from responses at TSE hearings with institutional investors and analysts

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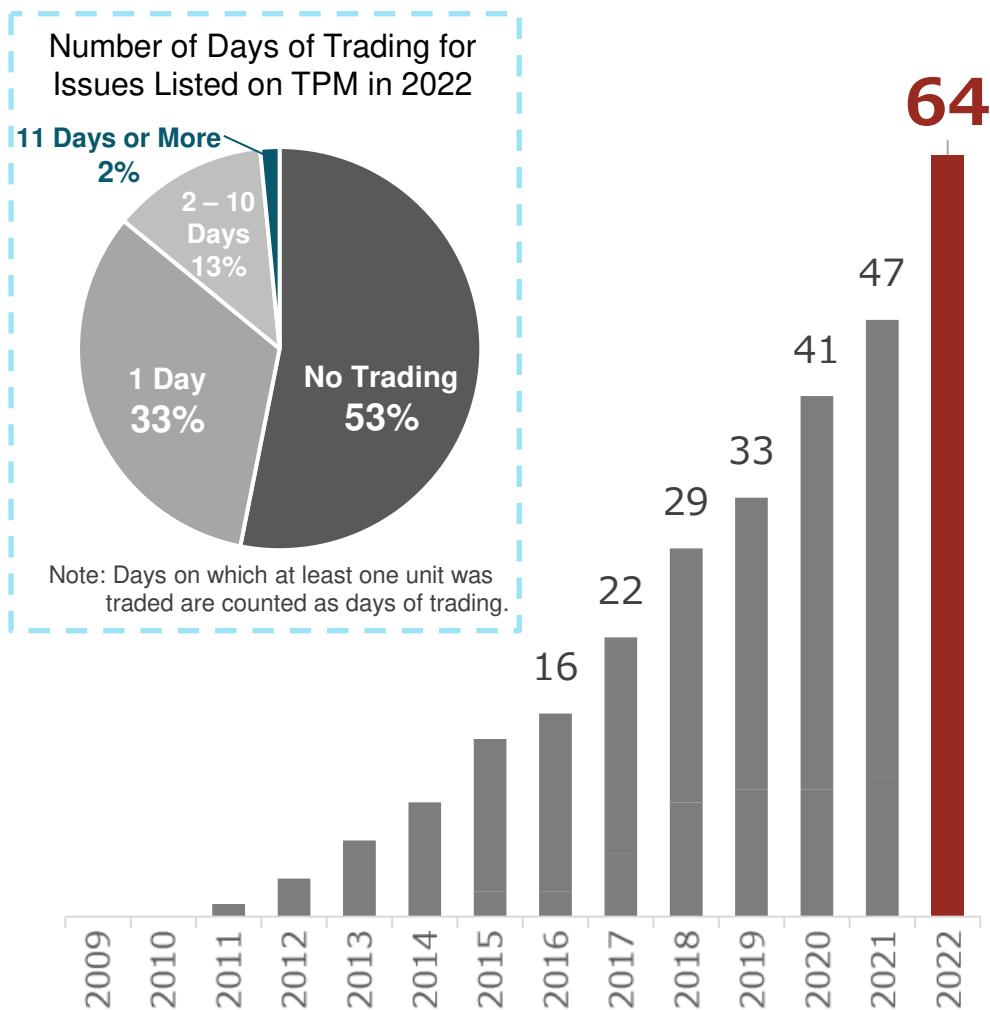


- TSE operates **TOKYO PRO Market (TPM)** separately from other equity markets for general investors, including the Growth Market.
  - TPM is designed to be a market for professional investors and has a flexible design, with no formal criteria for listing. Therefore, it can accommodate a more diverse range of companies than the market for general investors, **including companies seeking to list or raise funds earlier, with enhanced risk disclosure and flexible governance design.**
  - In TPM, a **J-Adviser** investigates/confirms the listing eligibility of a company it supervises and provides advice and guidance before and after listing.

	TPM	TSE's Other Equity Markets
Audit period before listing	<b>Numerical Criteria: None</b> Substantive Criteria: Yes	<b>Numerical Criteria: Yes</b> (Number of shareholders and market capitalization, etc.) Substantive Criteria: Yes
Body of Listing Examination	<b>J-Adviser</b>	<b>Lead Managing Underwriter, Tokyo Stock Exchange</b>
Audit period before listing	<b>Most recent year</b>	<b>Most recent 2 years</b>
Internal control report	<b>Optional</b>	<b>Mandatory</b>
Quarterly disclosure	<b>Optional</b>	<b>Mandatory</b>

- **The number of companies listed on TPM has been increasing**, and in recent years, some companies have **raised funds at the time of listing** or **moved from TPM to a general market**. (However, the majority of issues have had little trading activity over the course of a year.)

## Number of Listed Companies in TPM



## Fundraising at IPOs in the Last 5 Years

Issue Name	Date	Amount of Capital Raised
TSUKUBASEIKO Co.,Ltd.	Nov. 2018	JPY 0.87 billion
STG CO.,LTD.	Jun. 2019	JPY 0.25 billion
URBAN LIKE INC.	Jul. 2021	JPY 0.19 billion
GOKENDO CO.,Ltd	Oct. 2021	JPY 0.94 billion
Evixar Inc.	Dec. 2021	JPY 0.09 billion

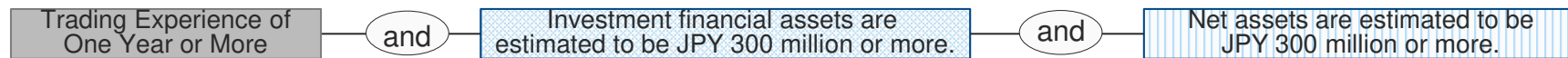
## Companies That Have Transferred from TPM to the General Market

Issue Name	Date	General Market to which the Company Transferred
C.I.MEDICAL CO.,LTD.	Dec. 2017	JASDAQ
AIAI Group Corporation	Dec. 2019	Mothers
Nissou Co.,Ltd.	Mar. 2020 Jul. 2022	NSE Centrex TSE Growth Market
GeGeolocation Technology,Inc.	Sep. 2021	FSE Q-Board
Frontier Inc.	Nov. 2021	FSE Q-Board
UPCON CORPORATION	Dec. 2022	NSE Next

# Reference: Revision of Specified Investor Rule

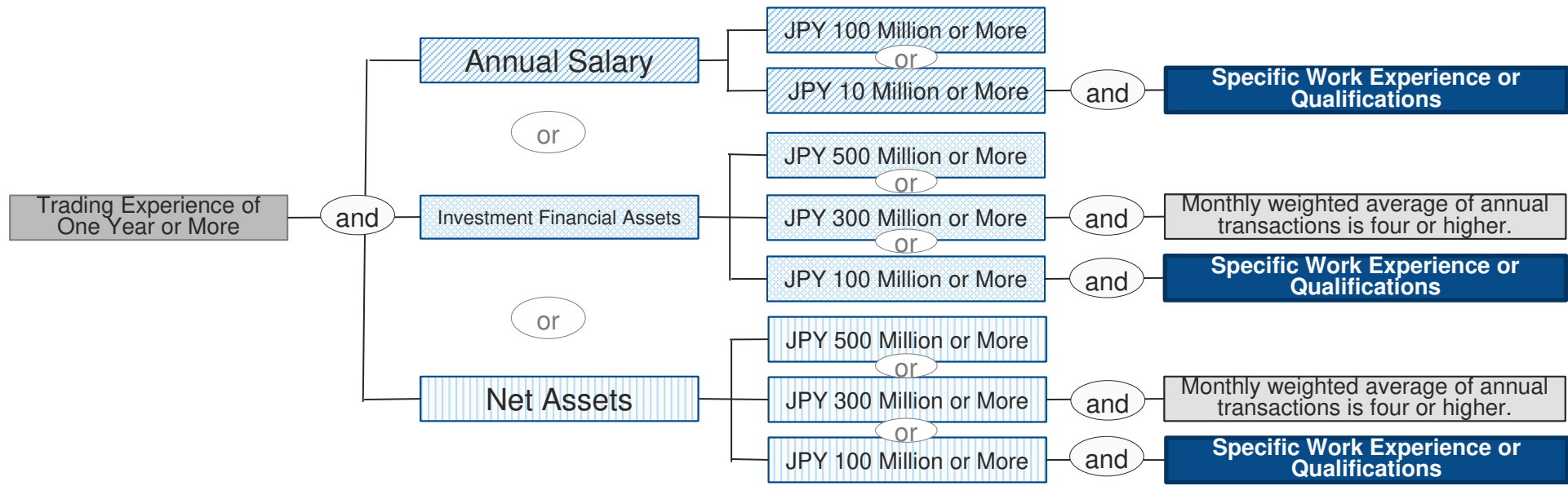
● From July 2022, the scope of individuals transferrable to specified investors was expanded by the revision of the Financial Instruments and Exchange Act.

Previous Requirement



New Requirement

Individuals can apply to become a specified investor if any of the following requirements (8 types) is met.



## Specific Work Experience or Qualifications

At least one year in total of experience working in financial institutions.

At least one year in total as a professor or associate professor, etc. of economics or business administration.

Hold the following qualifications and have been working in the field for at least one year in total; securities analyst, securities broker, FP, CFP, AFP, registered management consultant)

Have been engaged in corporate management consulting for at least one year in total, and have knowledge and experience equivalent to or greater than those listed on the left.

Note: When a securities company validates such asset or trade criteria, the circumstances of its own company and others may be taken into account.  
 Note: Compiled and translated by TSE from FSA documents.

- **Total of 6 J-Advisers** with listed companies in charge
  - In recent years, there have been **some new designations** for J-Advisers

## List of J-Advisers

Company Name	Number of Listed Companies in Charge
Phillip Securities Japan,Ltd.	32
TAKARA PRINTING CO.,LTD.	13
Nihon M&A Center Inc.	13
J Trust Global Securities Co., Ltd.	3
IR Japan, Inc.	2
G-FAS Corporation	1

Note: As of the end of 2022. (Companies that have J-Adviser status but do not have a listed company in charge are excluded.)

## Newly Designated J-Advisers

Designation	Company Name
July 2021	Japan Investment Adviser Co., Ltd.
Oct. 2021	AIZAWA SECURITIES CO., LTD.
Apr. 2022	Funai Consulting Incorporated
Oct. 2022	meinan M&A co.,ltd.

Note: None of these companies has a listed company in charge at this time.

I . Concept and Institutional Design of the Growth Market

II . Current Status of the Growth Market

1. Status of IPOs

2. Status of Listed Companies

III . Overview and Current Status of TOKYO PRO Market

**IV . Items for Discussion**



1. As a public market that plays a key role in the ecosystem to support startups' growth, **what measures should be taken in the future in order for the Growth Market to better fulfill its function and role?**

a) In terms of **functioning as an IPO market**, for example, what do you think about the following points?

## Current Status

- Broad frontage for listing (relaxed listing criteria)
- Increasing supply of funds for private companies
- Relatively small IPO size and fund raising
- Limited participation from institutional investors
- Only one case of listing voting class shares

## Items for Discussion

- How the listing frontage (listing criteria) should be based on the improvement of the fund raising environment for private companies
- Measures to promote participation of institutional investors (from the viewpoint of stability of price fluctuation of IPOs and support for growth after listing)
- Use of listing voting class shares, etc.

b) In terms of **supporting high growth after listing**, for example, what do you think about the following points?

## Current Status

- Newly instituted disclosure of growth potential, etc.
- Limited amount of proactive fundraising after listing
- Few companies achieve high growth
- In some cases, growth itself was not realized
- Established continued listing criteria after 10 years after listing

## Items for Discussion

- Follow-up to further improve the effectiveness of information disclosure
- Efforts to increase the number of companies that invest aggressively in growth and achieve high growth
- How the criteria for maintaining listing should be in order to promote healthy realizations of high growth potential, etc.

## 2. Is it conceivable that TOKYO PRO Market (TPM) could be used as part of the ecosystem to support startups' growth, given the current situation and changes in the environment?

### Current Status

- Institutional design to accommodate diverse companies
- Increased number of listed companies and fundraising cases
- Yet, liquidity is limited
- Progress in developing a regulatory framework for professional investors

### Items for Discussion

- Utilizing TPM as part of the ecosystem to support startups' growth
- Roles and functions that TPM should play in such cases and points to keep in mind

## IPOs at the Growth Market

- **Small company size results in insufficient participation by institutional investors**, which also affects IPO pricing; therefore, **it is important to encourage larger scale IPOs.**
- One reason for the small IPO is **the lack of demand for capital.**
- It is important to create an environment that supports the growth of startup companies in general by developing a secondary market for unlisted stocks, rather than rushing them to go public.

## Promote Realization of Growth on the Growth Market

- The Growth Market is expected to play a role in nurturing companies that will become pillars of Japanese industry in the future. Some companies succeed and others fail as a result of aggressive risk-taking, so an unchanging median market capitalization is not necessarily a problem. However, **the fact that only a small number of companies have achieved significant growth is problematic.**
  - Startups may **first establish a business model that prioritizes growth potential, then gradually ensures capital profitability.**
  - Compared to the U.S., there is **a lack of investment for growth.** We should **work to increase market capitalization while encouraging investment for growth.**
  - **The problem here is that companies that have failed to grow remain listed on the Growth Market.** It is crucial for those companies to leave the market.
- Since many companies in the Growth Market have high business risk, **information disclosure is essential for attracting risk capital, such as investments made by institutional investors.**
  - It is necessary to **check listed companies' business plans and other information** which they disclose **in terms of whether that information is sufficient for investors to make investment decisions.**
  - TSE should instill **a more proactive stance on early disclosure** regarding matters for which investors may have concerns, beyond the standards for timely disclosure.

## Utilization of TOKYO PRO Market (TPM)

- How about **considering the positioning and utilization of the TOKYO PRO Market?** Is it possible to create a flow of companies that first list on the TOKYO PRO Market, and then, **after achieving appropriate growth, transfer to the regular market segments?** (Opinion submitted in the call for comments)