

## **Minutes of the 13th Council of Experts Concerning the Follow-Up of Market Restructuring**

Date: Tuesday, December 18, 2023 3:30 - 5:30 p.m.

Place: Tokyo Stock Exchange 15F Conference Room

Attendees: See member list

### **[Kikuchi, Director, Listing Department, TSE]**

Now that the scheduled time has arrived, we will convene the 13th Council of Experts Concerning the Follow-Up of Market Restructuring. Thank you very much for your cooperation today.

Mr. Kumagai and Mr. Kuronuma are participating online today.

We will begin by explaining today's agenda.

### **[Ikeda, Senior Manager, Listing Department]**

Thank you again for your cooperation today.

We have three major agenda items today. The first item is the enhancement of the functionality of the Growth Market in documents two and three. With regard to the Growth Market, the Financial Services Agency, FSA, and Ministry of Economy, Trade and Industry, METI, as observers, have shared their recent efforts and awareness of issues, which are summarized in document four, FSA, and document five, METI, respectively. Following the TSE's explanation, observers will also make a presentation, and then we would like to receive feedback from you members.

The second is expansion of English disclosure in the prime market in document six. We would be happy to discuss specific proposals for expansion.

Third, we would appreciate your comments on the future discussion topics in the follow-up council in document seven. Based on the feedback we receive today, we would like to set the agenda for the next year.

### **[Kikuchi, Director, Listing Department, TSE]**

Let me now begin to explain the materials. Today, we will explain each of the three agenda items and would like to receive your comments on each.

Now, we will explain the enforcement of the functionality of the Growth Market based on documents two and three.

**[Isogai, Manager, Listing Department]**

We have prepared two documents regarding the Growth Market.

First, document two shows the results of the interviews with users. Since our time is limited, I will excerpt some of the main comments related to the Growth Market.

On page one, you will find feedback from overseas VCs.

From a broad perspective, they pointed out that Japanese startups have no idea whether they can raise funds commensurate with the cost of going public and are unclear as to why they are going public, so after going public, anything can happen. We have also received feedback on issues in unlisted areas.

Page two shows feedback from domestic VCs.

We have received various comments on issues related to IPO practice, such as that being in the red may be treated as grounds for disqualification for the listing. With regard to post-listing, it was also pointed out that it is more important to further demonstrate a medium- to long-term growth story rather than a short-term profit plan. It was also pointed out that raising the criteria for maintaining listing should be considered on an ongoing basis from the viewpoint of promoting the metabolism of the industry, and that open discussion of this issue would create a good sense of urgency.

On page three and beyond, we have summarized the opinions of institutional investors and analysts.

The key point is role and awareness of management. First and foremost, management is expected to grow the Company, and it is important for investors to be able to see that growth story. There were some harsh criticisms directed at companies that do not accept requests for interviews from investors or that remove important KPIs, questioning the significance of their listing. In this context, as noted at the end of this page, some suggested that we should also reach out to the awareness of listed company management in the Growth Market, as in the case of the cost of capital and other matters.

On page four, you will find opinions that management should actively disseminate information on their own, and that TSE should disseminate effective IR methods and provide a forum for information dissemination to support this process.

Document three presents specific measures that TSE should adopt in the overall ecosystem, based on the content of the interviews and the discussions to date. Today, we would like to discuss mainly the contents of those.

Specifically, as noted on page one, while some have pointed out that IPO has become a goal for some companies, we have proposed six responses to ensure that listing on the Growth Market becomes a growth opportunity and a foundation to support startup management's efforts to grow.

First, we would like to create an opportunity for managers to consider why they are going public and why it is the right time to do so, in order to remind them that going public is an opportunity for growth.

Therefore, we expect to encourage disclosure of the reasons for listing, the timing of listing, and the financing approach at the time of listing, taking into account the company's own growth story.

Second, there is currently a movement in practice to refrain from investment in growth and M&A prior to the IPO, due to the belief that it may hinder the IPO.

Of course, they should avoid doing these things without a system in place. However, it would be like putting the cart before the horse if an IPO, which is supposed to be for growth, halts efforts toward growth. Of course, TSE do not uniformly disallow such actions. Therefore, we would like to carefully inform and disseminate our approach in the screening process.

It is important from the perspective of communicating this point of view to securities firms, auditing firms, and other parties involved in supporting the IPO, and it is also necessary to regularly absorb the thoughts of investors and issuers. We would also like to set up a forum to share awareness with all parties involved.

The third point is about information disclosure and investor relations. Since the time of market restructuring, disclosure of matters related to business plans and growth potential is newly required. However, it has been pointed out that some companies are still not active in providing information to investors.

In this regard, from the perspective of improving effectiveness, we believe it is important to encourage companies to actively disseminate information to investors while also utilizing frameworks other than disclosure. For example, we would recommend that explanatory meetings and individual interviews be held, and that the status of these meetings be disclosed to the public.

On the other hand, the fourth point, the lack of a place to disseminate such information and the lack of an effective IR method, were also concerns raised by listed companies in recent public comments.

TSE may provide support for effective investor relations practices, along with providing points of contact with institutional investors. For example, we suggest that we promote supports such as holding IR events, publishing interviews with management, and introducing good IR practices and institutional investors' perspectives.

The fifth point is about listing criteria. TSE's listing criteria for new listings are set low from the perspective of listing small and growing large. On top of that, from the viewpoint of promoting healthy metabolism after listing, we have established a listing maintenance standard of market capitalization of at least JPY4 billion after 10 years of listing.

Some have pointed out that this standard should be raised from the perspective of attracting a wide range of institutional investors and promoting growth after listing.

Some have pointed out the impact of immediately raising the standard on non-listed companies and companies to which transitional measures are applied. Therefore, we believe that it will be necessary to continue to study the specific details of the standards, keeping in mind that the standard may be raised when there is progress in the provision of funds in the non-listed sector or in the efforts of already listed companies.

The sixth and final point is also related to the fifth point. In the non-listed sector, the Startup Development Five-Year Plan and other initiatives are underway. One of the things that the exchange can do in terms of achieving significant growth before listing on the Growth Market is to utilize the professional market.

On the other hand, the reality of TPM, TOKYO PRO Market, today is that liquidity is scarce and funding is virtually nonexistent. We suggest that a radical overhaul be undertaken, including a renewal of the concept.

That is all for my explanation.

**[Kikuchi, Director, Listing Department, TSE]**

We would like to ask the observers, the Financial Services Agency and the Ministry of Economy, Trade and Industry, to make presentations based on documents four and five, respectively.

First, Mr. Nakajima of the Financial Services Agency, please explain.

**[Nakajima, Director for Exchanges and FMs Supervision, Financial Services Agency]**

We at FSA would like to introduce some of our initiatives related to the policy plan for promoting Japan as a leading asset management center.

The FSA is promoting a virtuous circle of growth and distribution by creating an investment chain of funds where cash and deposits, which account for more than 1/2 of Japan's household assets, are invested, corporate value is increased based on dialogue with investors, the benefits are returned to households, and which leads to further investment and consumption.

Last week, the policy plan for promoting Japan as a leading asset management center was compiled by the Cabinet Secretariat. Some of these efforts were discussed by the Working Group on Capital Market Regulations and Asset Management Task Force of the Financial System Council of the FSA, and its report was released last week on December 12. I will provide an overview of this today. This includes initiatives related to the provision of growth capital, which I will focus on in my explanation.

First, page one of document four presents the entire picture. Number one is to enhance capability of asset management, number two is to encourage financial institutions' efforts for asset owners, number three is effective implementation of stewardship activities, number four is to enhance funding provision for startups and diversify the asset class, and number five is to improve the investment environment of households. This is the overall picture.

Page two shows initiatives to enhance capability of asset management. There are opinions that middle and back-office operations are too heavy, so the report describes efforts to ease the entry requirements for asset management businesses by outsourcing such operations.

Page three summarizes efforts for asset owners, listed companies, and households. In our stewardship activities, we would like to follow up on the TSE's efforts.

Page four summarizes efforts to enhance funding provision for startups and diversify the asset class. The first effort is to encourage institutional investors to invest in venture capital funds. The second effort is to diversify investors investing in startups, such as crowdfunding. The third effort is to clarify the legal process for providing incentives to managers and employees. The fourth effort is to vitalize the secondary market of unlisted securities. We would like to work on such things.

On page five, we explain our approach to secondary trading of unlisted securities prior to listing. With regard to unlisted securities and stocks, the current challenge is that although unlisted stocks are being purchased by issuing companies and secondary funds, it is difficult to reach a wide range of potential investors, and the redemption needs of shareholders and the investment needs of investors are not being adequately met. With regard to the distribution of unlisted shares, as noted on the right side, the current cost of entry for financial instruments businesses and operators of proprietary trading systems, PTS, is a bit high, making it difficult for new businesses to enter this type of business.

See page six. On the other hand, looking at the global situation, the market size of secondary trading of unlisted stocks is on the rise. Particularly in the US, where the OTC market is large, there are several platforms that allow professional investors to conduct secondary trading of unlisted stocks on the Internet.

Finally, see page seven. In light of this situation, the report recommends two deregulation measures to encourage new entrants into the unlisted securities brokerage business and PTS.

First, it is proposed that the registration requirements for type I financial instruments business be relaxed for FIs that specialize in brokerage services for non-listed securities for professional investors, and do not accept deposits of securities or money. IPO support companies and others who had previously felt that the hurdles to registering as a financial instruments business were too high have shown interest. PTS are not exchanges and are simplified, but currently there are PTS that handle stocks, government bonds, et cetera. Although the liquidity and transaction size of PTS that deal only in unlisted securities is expected to be limited compared to those of listed stocks, the capital and system requirements under the current law are said to be too heavy, and it is proposed that these be relaxed.

We believe that revitalizing the circulation of unlisted shares is important from the perspective of facilitating the redemption needs of startup companies' shares and the supply of growth capital. We view this as an important part of the capital market and intend to improve the environment.

**[Kikuchi, Director, Listing Department, TSE]**

Mr. Kameyama from METI, please explain.

**[Kameyama, Director, Industrial Finance Division, Ministry of Economy, Trade and Industry]**

From the standpoint of an observer, I would like to make a statement based on the material. Please refer to document five.

For the METI, the creation, nurturing, and support of startups, which are important players in economic growth, are key issues. As a forum to examine the financing environment based on the voices of industry, we are holding a startup finance study group, which includes investors and startups. In this context, we are discussing the state of the listing market as an important theme.

With regard to the Growth Market, we recognize that there is a challenge that companies whose growth has stagnated after listing have remained in the market. As explained by FSA, we are focusing on efforts to promote growth in the unlisted stage and to promote M&A in order to improve small IPOs, which is considered one of the factors. In relation to this follow-up meeting, we believe it is important to review the criteria for maintaining listing. In our study group, we heard many comments that raising the criteria for maintaining listing would contribute to the growth of startups. We believe that raising the criteria for maintaining listing will motivate listed companies to grow, promote mergers and acquisitions, and renew stagnant growth companies.

For example, as noted in the red box below, the reality is that it is difficult for listed companies to raise funds from institutional investors after listing unless their market capitalization reaches tens of billions of yen. Therefore, we believe it will be necessary to consider the scale of market capitalization when raising the criteria for maintaining listing.

In addition, there was an opinion expressed at the study group that it may be important to change the evaluation system from the current 10-year period to a more gradual milestone-based system from the viewpoint of encouraging sustainable growth of listed companies. In this case, I believe it will also be important to disclose efforts and strategies to achieve milestones.

As mentioned in the Secretariat's document, in order to increase foreseeability, it is necessary to have a period of several years after deciding on the details of the change to inform the public of such a change. Therefore, I believe it is necessary to promptly proceed with discussions on the policy for raising the standards and present it externally, including a schedule. In addition, in order to proceed with such a study, I believe it is necessary to immediately evaluate and monitor each market environment after the market restructuring.

I hope that today's follow-up meeting will include these perspectives in the discussion.

**[Kikuchi, Director, Listing Department, TSE]**

Now, we would like to get some input from our members.

**[Kumagai, member]**

Thank you very much for taking the time to interview the Growth Market participants. I got the impression that the awareness of the problem among those involved has become clearer. I feel that it is an extremely important process to take the opinions of those involved, discuss them at follow-up meetings, and incorporate them into actual measures.

Based on the above points, I would like to offer my opinion on the contents of document three. I generally agree with the direction indicated on pages two to seven. On that basis, I would like to comment on three points.

First of all, in regard to promoting a proper understanding of how to prepare for listing on page three, I have heard some comments that investments and M&A for the growth of listed companies stop before the IPO, and that efforts before and after the IPO are discontinuous. I understand that TSE does not uniformly deny such efforts by companies. Regarding the "compile FAQs focusing on issues that are often misunderstood" written on page three, I think it is necessary to verbalize and carefully explain it with examples of affirmations and denials to date.

In addition, I believe that awareness is already shared with securities firms and other related parties, but given that market conditions are changing on a daily basis, it would be very good to create an environment in which communication can take place on a regular basis.

Second, I would like to discuss the "assistance in sharing information with institutional investors" on page five. On page two of summary of interviews of document two, it states, "Some companies meet institutional investors for the first time during the roadshow prior to listing," and on page three, it states, "Some listed companies refuse to accept requests for interviews from investors." Aligning eyes with investors and understanding their perceptions, which was one of the objectives in the "actions to implement management that is conscious of cost of capital and stock price" requested in March of this year, should be actively pursued in the Growth Market as well. In addition to the implications of raising funds in the market from an unspecified number of investors, one of the challenges is to understand



what investors consider important in their investment decisions. To this end, it is a necessary measure to promote efforts to increase contacts with institutional investors.

Third, with regard to “implementing stricter listing criteria” on page six, action should be taken to realize the goal, taking into account the role of stock exchanges in supporting the growth of startups, while keeping an eye on the grand design of the ecosystem that spawns and nurtures startups. In addition, the impact of transitional measures will need to be considered. In order to increase the metabolism of the market, it would be preferable to conduct a stock-taking of the state of the criteria, keeping in mind that the continued listing criteria should be raised.

**[Sampei, member]**

Thank you for the very thorough interviews, as well as for presenting those results by attribute, which I think made them very easy to understand.

I agree with the direction of the six proposed responses based on those results presented in document three. Of those, I don't quite understand what exactly you do about the point on page five, regarding how to provide support for concerns such as not knowing how to conduct effective IR. I think support itself is important, but I believe it is a difficult problem because many companies in the prime market, even those that have been listed for a considerable number of years, still do not seem to understand the know-how of IR. In particular, they are most concerned about whether and to what extent to disclose certain information, and I feel that there is a large perception gap with the granularity of information that investors are seeking. Even though the granularity of information that investors are seeking is not as high as listed companies think, in many cases listed companies do not dare to disclose sensitive information, and investors feel that it is unacceptable not to disclose information, which worsens the gap. I do not believe they understand each other's nuances. I don't know if holding a seminar will solve that, but it is a point that needs to be solved carefully and gradually, and I think it is important to know how to do that.

Regarding the continued listing criteria on page six, as I have been saying for some time, I think we need to fully consider raising it. The document states that the criteria were just changed and you would wait until the transitional measures are finished, and that it is necessary to keep in mind that the continued listing standards will require a longer notice period before actual application. Attempting to achieve both of these would require waiting for the transitional measures to be finished before making the change fully known, which

would considerably lengthen the lead time. As METI pointed out, we should proceed with the study without waiting for the end of the transitional measures and open up the process so that it can also serve as a notice period, while also indicating early on any future changes to the continued listing criteria. METI has also presented a proposal to raise the standards in stages from the time of listing. I, too, think it is better to raise it in stages. It would be nice to have intermediate standards, not just at the time of the IPO and after 10 years. In the future, it is conceivable to organize ideas on what the continued listing criteria should be depending on the number of years since the IPO.

**[Matsumoto, member]**

I believe the biggest problem in the Growth Market is the problem of entrepreneurs and managers. I am not saying they are wrong, but as has become clear in venture finance and entrepreneurship finance studied in the US, how to motivate entrepreneurs and managers is important. Of course, a mechanism to supply risk money is obviously important, but I think the biggest point is how much to inform, empower, and incentivize entrepreneurs and managers. It is important to be aware of this, and from this perspective, I would like to make two points.

One is the asymmetry of information, which I have seen in my own experience of starting my own business, underwriting IPOs, and investing in venture companies. Entrepreneurs seeking to go public will only do IPOs once or twice in their lifetime at most, and the information they have is limited, while brokerage firms and VCs handle dozens of companies, so the amount of information is completely different. Therefore, entrepreneurs inevitably take the brokerage firm or VC's word for it. For example, if a company were forced to enter into an investment agreement with a VC early on that would leave it with no choice but to go public before it grows, or if a brokerage firm only takes a conventional approach, management may be forced to give in because they do not have information. For this reason, I think that there should be a place to bring together Growth Market managers or managers who are about to go public, securities companies, VC firms, et cetera, including TSE, to have a frank discussion. There is no contest between an entrepreneur and a VC or a brokerage firm. I think it would be effective to create an opportunity for all parties supporting the entire ecosystem to meet together and openly discuss issues such as, "This is what is being said, but is it correct?" and to allow each party to speak up, so that the ecosystem can be shaped as it should be.

One more thing, I am in favor of raising the continued listing criteria, and as METI and Mr. Sampei said, the criteria should be raised in stages according to the number of years elapsed since listing. For example, in high school, students study because there are mid-term and final exams every year, and if there were no tests at all until the final graduation exam, everyone would fail the exam. In the same way, if you have one shot 10 years after the listing, it could mean that you have to work hard only at the end. It would be effective to establish a standard to be continuously aware of, such as a stepwise increase in the market value to be achieved in two years, three years, five years, and so on. As for the timing of its introduction, I believe that it should be started as soon as possible, as there is no time to wait for transitional measures.

**[Ando, member]**

First, let me confirm the premise of the discussion regarding implementing stricter listing criteria. On page six of the secretariat's document three, both initial listing criteria and continued listing criteria are mentioned. On the other hand, METI's document five mentions only raising the continued listing criteria and does not directly address the initial listing criteria. Please let us know if you expect the initial listing criteria to remain the same.

**[Kameyama, Director, Industrial Finance Division, Ministry of Economy, Trade and Industry]**

As you pointed out, we believe that the first thing that should be addressed immediately is the continued listing criteria. Regarding the initial listing criteria, if only the entrance to listing is raised, it will result in the inability to exit, while there are currently limited means and pathways for significant growth in unlisted companies. Currently, the government is working to create an environment that allows for growth in unlisted companies. We believe that we should watch the movement and, in parallel, consider raising the initial listing criteria. We believe that we should be prudent to immediately raise the initial listing criteria while the government's initiative has not yet been achieved. In light of this, we have referred only to the continued listing criteria in the document.

**[Ando, member]**

Thank you very much. I myself believe that the initial listing criteria should be maintained. It is appropriate to consider the pros and cons of stricter criteria while checking the

progress of the various measures that are being implemented by each ministry and agency in accordance with the government's policy plan for promoting Japan as a leading asset management center.

As for the continued listing criteria, there are 559 listed companies in the Growth Market as of today, and we will naturally find the timing and monetary level of the stricter criteria as we monitor the growth of each company and assess the effects of the measures. It is only natural that the review should not deprive start-up companies of any options.

**[Nagami, member]**

I believe that the market capitalization criteria should not be changed in the initial listing criteria, but should be raised in the continued listing criteria. The basic concept is to promote industrial metabolism, and I believe this is true in the Growth Market as well. It is important to have a wide frontage at the entrance, but governance at the exit. I believe that there should be more mergers and acquisitions among startups, and that raising the criteria for maintaining a listing will lead to this.

I would then like to go a step further and offer one opinion, borrowing from METI's thinking, as to what level should be set. For example, I believe there could be a standard of JPY5 billion in five years after listing and JPY10 billion in 10 years. On the other hand, if you ask me if we should raise more, as of today, among the approximately 550 companies listed on the Growth Market, there are only 170 companies with more than JPY10 billion. Therefore, if we raise it further, there will be only a few dozen companies listed on the Growth Market. Even if we were to make it more than JPY10 billion, it would mean that more than 300 companies would be delisted, which is quite a drastic action. From an investor's perspective, some may argue that the standard should be raised even higher, but I believe that even a standard of JPY10 billion or more is a fairly large hurdle to overcome.

Also, I am of course in favor of promoting disclosure of reasons for listing, et cetera, on page two of document three, and I think the reasons should be written. However, speaking from a startup's perspective, I believe that disclosure requests should be as brief as possible, as the listing preparation and listing examination process is quite heavy.

Regarding promoting a proper understanding of how to prepare for listing on page three, as someone who has experienced listing preparation, I felt that the listing examination process is a black box. I understand that it is the brokerage firms and auditing firms that

educate them. However, I think we should be able to see how those who are actually examining listings are doing so, for example, in the form of case studies or in the form of clear standards. To what extent the people doing the listing examination are actually out in public is another matter, but I think the process should be open and transparent to a certain degree.

Finally, regarding TPM on page seven, as explained by FSA, I think the greatest need right now is in the unlisted secondary market. And if TPM can be utilized, good, and if not, I think it would be a good idea to open a new secondary market somewhere else, whether it be TSE or another private company.

**[Koike, member]**

The material prepared by the Secretariat is very well organized and convincing, and I generally agree with the contents.

As a general observation, I feel that the problem in the Growth Market is that the ecosystem, including IPOs, is not working well. I am now an institutional investor, but until four or five years ago, I was on the investment bank side underwriting IPOs, so I have experience in the pricing process, shareholder design, et cetera. Essentially, our goal is to create new economies, companies, and technologies in Japan, and I believe that one way to achieve this goal is to inject funds into companies that will lead the Japanese economy, and I believe that IPOs are one of the ways to achieve this goal. However, I feel that the nature of IPOs is changing, as it is becoming easier to raise funds prior to an IPO than before. This has changed the role of VCs and investment banks. I believe we have to rethink the entire ecosystem, because it cannot be solved only between investors and companies. I believe that the move toward a leading asset management center means creating an ecosystem that creates a virtuous circle in the investment or investment chain. In IPOs as well, I feel that there should be an ecosystem in the connections between unlisted, listed, and post-listed companies, and that it is necessary to re-create this ecosystem.

Also, on a per se basis, I do not believe that the initial listing criteria need to be raised, as this could crush the buds of growth of smaller companies. On the other hand, the continued listing criteria are, on the other hand, exit criteria, which can be made stricter. However, I believe that there could be several ways of thinking about the criteria besides the JPY10 billion market capitalization after 10 years of listing, such as, for example,

having built up equity capital after 10 years or exceeding the market capitalization at the time of listing, and it is possible to introduce a combination of these.

**[Kuronuma, member]**

I believe the challenge in the Growth Market is that there has not been much post-listing financing. It is said that Japanese companies do not raise funds after listing. I hope that at least listed companies in the Growth Market, where growth is expected to be realized, will raise funds in the market and grow. From that perspective, I am sorry to be pessimistic, but I feel that the six measures described, while better to do than not to do, did not seem to be very effective.

First, I would like to discuss how the disclosure of the reasons for listing, et cetera, on page two of document three will help to achieve an IPO to promote growth. If you ask a company that sees listing as a goal to disclose the reason for listing, it would only disclose that this is the goal, and this would not lead to fund procurement after listing. It is important that they consider why they are going public at this time in their growth strategy, but it seems to me that they would only postpone the IPO. However, if that is OK for you, that could be a policy.

I basically agree with the content of page three. It would be a problem if corporate actions are postponed at the stage of preparation for listing, which in turn hinders the realization of growth. However, it is unclear whether it would be sufficient as a response to this to clear up misunderstandings, and I believe that there could be a way to clarify and publicize the listing examination criteria.

Regarding the suggestion on page four that there are some listed companies that do disclose regularly, but are not proactive in providing information, I speculate that such companies may not be able to provide sufficient facts to support regular disclosure. However, I am in favor of encouraging IR in order to have them take initiatives for growth.

Regarding page five, the point is that if they conduct IR, will institutional investors start to buy their stocks? According to the results of the interviews on page one of document two, a market capitalization of JPY5 billion to JPY10 billion is generally required to be bought by institutional investors. If so, I think it would be a priority to encourage companies whose market capitalization have not yet reach that level to raise funds after going public.

I basically agree with the stricter continued listing criteria on page six. However, I think it is important to note that it only provides a formal incentive from the outside, so it does not substantially help the Company grow or encourage fundraising.

Regarding the use of the professional market on page seven, I am aware that it is not going well. Whether you are creating something new or transforming something current, I believe you should seriously consider what you should do to get foreign investors to come in. I also believe that the professional market should be viewed as a parallel to the Growth Market. I feel that it would make sense if a company could have two ways of IPO. One is to make an IPO in the Growth Market at a small stage and then continue to grow, and another way is to grow in the professional market significantly before IPO, while making a certain amount of money to come into the professional market.

**[Okina, member]**

Thank you for your summary. I generally agree with the contents of the material.

Regarding the criteria for maintaining listing, I agree with the gradual increase. I would like to ask you to proceed with the change while making it known to the public.

On the other hand, regarding the initial listing criteria, the Growth Market is an easy market to list in terms of size, and I believe it is fine to maintain this for the time being. In relation to the point that Mr. Kuronuma mentioned, I think it is very important, as described on page two, that they deeply consider why they are conducting the IPO at this time. I believe that disclosing their thoughts on the timing of an IPO will provide an opportunity for companies to think and consider whether it is better to go public on a smaller scale or whether it is better to go public when the Company is a bit larger in order to realize its own growth. For the time being, I think that is what can be done in relation to the initial listing criteria. In parallel with this, I would also like to see the development of the environment pertaining to the non-listed sector.

Regarding the interviews with market participants in document two, you have received opinions from both overseas and domestic VCs about lengthening the lockup period so that existing shareholders can hold the shares for a longer period of time. This may not be something that the TSE itself can address, but I feel that it is important to encourage all parties concerned to consider reviewing such practices.

Information asymmetry and ecosystems were also mentioned. It is important how to form and function an ecosystem of companies considering listing, listed companies, and the

investors and securities companies that support their growth, and I hope that TSE will create opportunities for all parties to communicate.

**[Kanda, member]**

I have little to add to what you all have said, and I am afraid I can only offer a few thoughts.

As we can see from the detailed interview results in document two, I think the two main problems with the Growth Market are the small size of the companies and the fact that they do not grow after listing.

I think the reason is largely what Mr. Matsumoto mentioned. I basically agree with the proposed response in document three. I understand that you mean they can devise improvements in the explanation and disclosure of growth potential. In addition, I believe that the current listing examination process already checks for a growth story, but this could be made a little more demanding. This may be a difficult task, as it depends on the situation of each company, but it means that you strictly look at growth potential, for example, whether there is a plan for equity financing in the future.

On a related note, I believe that, in practice, prior consultation can also be conducted prior to the formally established standard examination period. TSE's explanation of such a process would help bridge the information gap between the parties involved and increase transparency.

Finally, regarding the continued listing criteria, I think it would be better to have about two levels, one for market capitalization after five years and the other after 10 years, since having several levels would be too many. According to the data, there are about 30 companies that do not meet the criterion of JPY4 billion or more after 10 years of listing, while according to the previous comment, there are only 170 companies with a market capitalization of JPY10 billion or more at present. On the other hand, since it would be difficult in reality to require, for example, equity financing at least once within five years, I think it would be conceivable to set the criteria at about two levels, focusing mainly on market capitalization.

**[Matsumoto, member]**

If a company cannot meet the criteria for market capitalization, et cetera, then I think it is conceivable that a few companies could work together to do so. I think the same applies to



all markets, not just the Growth Market. In Japan, management resources are so disjointed and productivity is declining that consolidation should occur. The Growth Market is no different, and even with seemingly high continued listing criteria in the current situation, there may be a move to bundle management resources by communicating them in advance. I think that would be desirable, so I think it would be good to have such a perspective.

**[Kikuchi, Director, Listing Department, TSE]**

Thank you very much.

We would now like to explain the expansion of English disclosure in the prime market, based on document six.

**[Nakamura, Associate, Listing Department, TSE]**

I would like to explain about document six.

Pages two through four are a summary of the previous comments we received, so I will skip the explanation.

From page five, we have summarized investor feedback from additional interviews we conducted in response to your previous suggestion that we should carefully research the true needs of investors and the issues facing listed companies.

First, as a general comment, some overseas investors expressed dissatisfaction that there is still a gap between Japanese and English disclosures, even for large companies, and that English-language information is very limited for small-cap stocks. The time lag in disclosure is also a major disadvantage, and many respondents expressed a desire for quick reporting.

Next, page six provides detailed comments. As documents that should be encouraged to be disclosed in English on a priority basis, the largest number of respondents cited earnings reports and earnings conference materials, and some requested timely disclosure of qualitative information and notes as well.

Timely disclosure is also emphasized as containing important information that could affect the market, and there was a strong need for simultaneous disclosure in English and Japanese.

In addition, some respondents indicated that the annual securities report is useful at the stage of researching a wide range of stocks. However, we heard opinions that prompt disclosure is not required for the annual securities report, considering its application.

Page seven provides opinions on the use of machine translation.

On page eight are the results of interviews with listed companies about their practices.

Although some listed companies disclose materials delivered by translation companies as is, many double-check the content of their English disclosures due to concerns about liability for the accuracy of the content.

Other issues with simultaneous disclosure include the fact that the Japanese text is not finalized until immediately before disclosure, particularly for timely disclosure, as well as the problem of outsourcing resources and the lack of personnel and systems in place to check the translated content even if outsourcing or machine translation is used.

In light of these comments, the items on page nine and thereafter are for your discussion.

First, here are some specific proposals. As stated with the first circle, based on the concept of the prime market, it is desirable to realize an environment in which important information is simultaneously provided in English and Japanese equally by all listed companies in the prime market in the future, and this is what we need to aim for.

On the other hand, it is also necessary to take into account the practical burdens on listed companies that arise from the current situation. Therefore, by March 2025, as stated with the first arrowhead, we should first eliminate the asymmetry of information on items that have a large impact on the market, and from the perspective of improving the evaluation by investors who currently invest in Japanese stocks, we should require English-language disclosure of earnings information and timely disclosure information.

Also, as mentioned with the second arrowhead, with regard to the timing of disclosure, we think it would be a good idea to require that efforts be made to disclose simultaneously with the Japanese language.

The third arrowhead concerns both the scope and timing of disclosure. Since it is assumed that it may take time to establish the necessary systems depending on the size of the company, et cetera, if it is difficult to respond to the simultaneously disclosure, we suggest that a specific start date be required to be disclosed. While it is deferred if disclosed, the structure is a little different from comply-or-explain. With comply-or-explain, it is permissible to achieve the intent in a different way, for example, with an explanation such

as, “We will disclose in German.” In the proposal I am presenting, the explanation will be limited to “when we will do it.”

As per the check mark item, although earnings information is assumed to be in the form of earnings reports and earnings conference materials, we propose that the specific scope of disclosure could be left to the judgment of each company. With regard to timely disclosure information, in light of the opinion of investors that it is troubling to not even know that something has happened, we are considering requiring all items to be disclosed in a timely manner, and not necessarily the full text, but permitting a summary.

The figure below summarizes what I have just described.

On top of the above, as indicated with the first circle on page 10, we suggest that further expansion of English-language disclosure, such as simultaneous timing and expansion of the scope of coverage, be considered on an ongoing basis, taking into account the progress of companies and other factors in the future. In doing so, we believe that the situation will change in the future with the development of machine translation and other technologies.

The next circle is a different story from the specific proposal for expansion, and is about the position of English-language disclosure. The question is how to position English-language disclosure in the context of concerns about liability for the accuracy of content, which has become a hurdle to English-language disclosure for listed companies. We believe it is appropriate to make it known that this is only a reference translation, and we would like to receive your opinions on this point.

That is all for my explanation.

**[Kikuchi, Director, Listing Department, TSE]**

Now, we would like to receive your comments.

**[Kumagai, member]**

I generally agree with the points you made on pages 9 and 10 of document six. In this case, I suggest that you consider creating recommended guidelines, since there are many aspects to be left to the judgment of each company, such as the scope of English translations and the timing of disclosure.

Not only should the recommended guidelines clearly state that the prime market concept requires constructive dialogue with global investors, but they should also include data

regarding the documents and timing of disclosure required by foreign investors as presented in the follow-up meetings so far and feedback from foreign investors. You should request a response in light of the needs of foreign investors and companies' own English disclosure status. For example, in light of the comments of foreign investors on page six of document six that "Summary information in earnings reports is distributed in English by information vendors, so it is the qualitative information that is of value," it is assumed that companies that translate only part of their earnings reports into English will make efforts to disclose qualitative information in English.

I believe that the follow-up meetings should also continue to monitor the status of disclosure on a regular basis and consider the feedback from foreign investors.

**[Ando, member]**

From the standpoint of having a good understanding of corporate disclosure practices, I agree with what is summarized in "Items for discussion (1) and (2)" on pages 9 and 10 of document six. In this way, we can significantly increase the number of companies that engage in English-language disclosure in a short period of time while adhering to the principles.

However, in the table at the bottom of page nine, as for the note in the row of earnings information that states, "Scope of disclosure to be determined by each company," I think it would be better to state, "Full text is desirable, but if it is difficult, the scope of disclosure is to be determined by each company."

It is also a reasonable step to exempt English-language disclosures from the enforcement of exchange rules, as described on page 10. Even at present, there are many companies that clearly state, "reference only" with regard to English disclosures.

Incidentally, in the "results of interviews with listed companies" on page eight, listed companies expressed concerns about accuracy, but even if they were not subject to enforcement, companies would fully scrutinize the English text, so there is no concern as a matter of fact.

**[Sampei, member]**

I think the general direction should be as described in (1) and (2), but I have a few points of concern.

With the circle on page nine, it is stated that this would create a considerable burden for listed companies in practice, but that does not mean that they could be reluctant to do so. It is something that must be done given the responsibility of being listed on the stock exchange, and if it cannot be done, it is only natural to review the system.

Having said that, I think it is good to prioritize. However, with regard to earnings information, while earnings reports are documents required by regulations, earnings conference materials are voluntary disclosure documents, so it is ambiguous to what extent they can be mandatory.

What I would like you to write here is that they should make decisions from the perspective of fair disclosure rules, ensuring fair and timely disclosure of information to investors. When the fair disclosure rule was formulated, there was no market segment from a global perspective like the prime market, so I don't think there is clear language on the issue of information disparity between Japan and the UK. However, nowadays, I believe that there should not be a disparity between Japan and the UK in the prime market. Therefore, I would like each company to keep the fair disclosure rule in mind when making decisions.

Also, I think the basic principle of timely disclosure information is simultaneous disclosure in English and Japanese. Since this is timely disclosure information, needless to say, timing is important, and considering fair disclosure with respect to timing, I think simultaneous is fundamental. However, if the full text is not available in time, I believe it is acceptable to translate the important summary/purpose into English.

I think the approach of disclosing the start date when simultaneous disclosure is difficult, under the third arrowhead, is acceptable.

Regarding the future expansion on page 10, I think there should be a deadline somewhere to move to full English text disclosure. If it is not enforced forever, it would not fit the concept of the prime market.

As for the last circle, as Mr. Ando mentioned, I think Japanese should be the official disclosure and English should be positioned as reference.

**[Koike, member]**

I am of the same opinion as all other members, but I think that the earnings conference materials and IR presentation materials that are mentioned as possible documents should be sent out in English.

While it is necessary to quickly review earnings reports and figures, I feel that investors' needs are stronger for explanatory materials that supplement the background behind the figures. So, it would be desirable to disclose at the same time.

When speaking with investors, some said they had to go looking for each company's website, making it difficult to obtain information efficiently. For example, I thought it would be a good idea to consider making it more convenient for investors to access information, such as posting information about listed companies on the TSE website, so that they can quickly access the information they want to see.

**[Matsumoto, member]**

I may have a different opinion than yours. Since it is a listing rule, I think it is better to have enforcement. Also, technology is evolving so rapidly that if we don't think about it with that in mind, it will become obsolete.

Incidentally, as a publicly listed company, we do not publish our earnings reports in English, but we publish all earnings conference materials and timely disclosures in English at the same time. Considering the needs of investors, especially time-sensitive investors, I think it would be better to enforcing only timely disclosure and have companies issue it at the same time. This is because this has a significant impact on actual price movements, and investors who read earnings conference materials carefully have a little more time to do so, and the new GPT4, for example, can translate fairly accurately with some time. Considering the burden on companies, I think it would be a good compromise to require simultaneous disclosure, with only timely disclosure subject to enforcement, considering the trend of technology, et cetera.

**[Kuronuma, member]**

I generally agree with what is indicated in the items to be discussed, but it seems that everyone has different opinions on some of the details.

While there is a strong desire for simultaneous disclosure in English and Japanese, there is also the issue of resources for listed companies. Therefore, I think it is a good direction to first seek simultaneous disclosure, limited to earnings information and timely disclosure information.

In doing so, I am opposed to leaving the scope of earnings information to the companies. I believe that all earnings information can be disclosed simultaneously, so it would be better not to limit the scope.

Regarding timely disclosure, of course it should be disclosed as soon as possible. However, for example, the fact of an occurrence may not be known until just before the disclosure, and if they try to disclose everything simultaneously in English and Japanese, the disclosure itself may be delayed as a result. In such cases, I believe that only an outline is acceptable for the English version.

In addition, I think it is acceptable that the English disclosure be positioned as a reference translation only, and that it be clarified. However, rather than not subjecting them to enforcement at all, it would be better to make sure that some action can be taken if disclosure is too late or if the content is considered a mistranslation by all accounts.

**[Okina, member]**

I agree with both (1) and (2). Companies choose the prime market more than once while understanding the concept, so I think it is important at this point, not in the future, that important information be disclosed equally and simultaneously in English and Japanese.

Regarding English disclosure, I think it is a good idea to simultaneously disclose earnings information and timely disclosure information in both Japanese and English, and to first pull up those companies that are lagging behind in responding.

Regarding page 10, I also understand that, on the assumption that further expansion is desirable as a whole, we will continue to consider how to gradually encourage English-language disclosure, and I think it is important to communicate more about desirability. In addition, for companies that are already responding, this is something that has mostly already been accomplished, so I would like you to think about how to disseminate this information with companies at various levels in mind.

**[Nagami, member]**

Basically, I am completely comfortable with the timing, scope of notional documents, and simultaneous disclosure as described on page nine. However, I think it is basically a good idea to mandate it. On the other hand, considering the issuer, I think it would be a considerable burden, not so much clerical as mental, to create a translation that is a perfect match between Japanese and English. As we have been talking about, I think it is

important that TSE widely informs issuers and investors about the treatment of the Japanese version as the correct version and the English version as the sub-version. In some cases, I think it would be a good idea to have companies include a disclaimer that TSE formulated in the disclosure documents to reduce some of the mental burden.

**[Kanda, member]**

I too have no problem with the directions given in the document. I believe the basic idea stated at the beginning of page nine is true. I think the key points are the full text and the time lag.

Personally, I think the ultimate goal is to have the full text of all statutory disclosure documents disclosed simultaneously in both Japanese and English. However, since this is not immediately possible, it would be logical to first group and stage companies within the prime market, or in the abstract, divide information by financial/non-financial. In conclusion, I think it is reasonable, if somewhat of a hurdle, to start with earnings reports, earnings conference materials, and timely disclosure, that is, to narrow the scope of documents, but to require all prime market listed companies to maintain the perspective of full-text and simultaneous disclosure.

The reason why English disclosure is necessary is that for those who cannot read Japanese, disclosure only in Japanese is the same as no disclosure, and the Japanese market does not have the power to insist that such people translate the information themselves. I think it has to be handled on the part of Japanese companies.

Regarding enforcement, I think the approach of English disclosure under a system where Japanese is the official text is fine. If that is the case, then any errors in English should be corrected, of course, but not blamed. However, I think the line will be drawn somewhere because it would be a problem that the whole content is wrong. In any case, it is good to think on the basis that Japanese is the correct text.

Finally, I would like to ask two minor points. I understood “by March 2025” to mean from the disclosure of information related to the fiscal year ending March 2025. Is that correct? Also, if companies disclose the timing when it is difficult to respond, is it correct that they should naturally disclose the information in English?

**[Nakamura, Associate, Listing Department, TSE]**



Regarding the first point, we envision such a design. Regarding your second point, while I did not envision the disclosure language, I believe your point is correct and would like to consider it in that direction.

**[Matsumoto, member]**

I have been listening to your comments and I thought that my statement might be misleading, so I would like to provide some additional clarification. Page nine states “requesting,” and page 10 “not subject to enforcement.” I think it is natural to request it, but the disclosure issue is on a different level from the PBR issue, and is the very foundation of the listing system, so I think it is strange to request it, but not enforce it with regard to disclosure. I am of the opinion that if you do it, you must enforce it, and if you do it, timely disclosure should be mandatory. Therefore, I agree with you in the direction, but I believe that disclosure that is not subject to enforcement is meaningless, so we should focus on what can be enforced and make it an obligation.

**[Kikuchi, Director, Listing Department, TSE]**

Thank you very much.

Continuing on, we would like to discuss future discussion topics. The explanation was provided in the preliminary explanation, so I will skip it. With regard to the items listed on page two of document seven, we would like to receive your comments on the priorities for discussion and any additional items that should be considered.

**[Kumagai, member]**

Thank you very much for reflecting my comments regarding improving the effectiveness of dialogue with investors that I discussed during the preliminary briefing.

Daiwa Institute of Research Ltd. has had numerous opportunities to speak with both listed companies and institutional investors. One of the topics that has recently received a lot of attention is improving the effectiveness of dialogue with investors. Many IR staff members of listed companies have told us that it is clarified what they need to do, such as taking actions to realize management that is conscious of cost of capital and stock price, but that they have not been able to see what institutional investors, with whom they are engaged in dialogue, are doing. I have heard that if they could find out in more detail what

institutional investors request in promotion of dialogue with shareholders and disclosure, they would be willing to take actions to meet their requests.

In addition, in talking with institutional investors, there was a need to clarify and prioritize what needs to be done going forward. On December 13, the government released the policy plan for promoting Japan as a leading asset management center, and as the remaining pieces of the investment chain, it cited reform of the asset management industry and asset ownership. Specifically, it includes reform of the asset management industry and substantiation of stewardship activities. As discussed in previous follow-up meetings, I believe there are challenges facing the asset management industry with respect to dialogue and other issues. I think it is conceivable to create opportunities for institutional investors to talk frankly with each other about their internal situation and discuss measures to address the challenges they face. Discussions there will be helpful to listed companies and are expected to keep pace with government efforts.

**[Matsumoto, member]**

In Japan, there have been many mergers and acquisitions this year, and probably will be many more next year on a global scale. In particular, MBOs and acquisitions of subsidiaries by parent companies are expected to occur very frequently.

In this context, unfortunately, we have frequently observed cases of MBOs and acquisitions of subsidiaries by parent companies that, while good from the perspective of organizational change, have significant price problems. Despite the fact that the METI has formulated the guidelines for fair M&A practices and updated them this year, and despite the fact that the interests of minority shareholders are strongly advocated, it may be an exaggeration to say that the interests of minority shareholders are being completely ignored, but at the very least, I believe that in many cases the process of properly confirming the interests of minority shareholders is not being carried out. This is a very serious situation that weakens the capital market from the bottom up. I think it is a very big problem, especially when the Japanese market is attracting worldwide attention, and MBOs and acquisitions of subsidiaries by parent companies are expected to increase in the coming year.

The problem is the lack of enforcement of measures to protect minority shareholders as indicated in the METI guidelines, such as the establishment of a third-party committee. Therefore, I believe that the TSE code of corporate conduct should make it mandatory to

run a process to confirm the interests of minority shareholders when conducting MBOs or acquisitions of subsidiaries by the parent company in the items to be complied with. Even after running the process, I think it is inevitable that such acquisitions are legally possible, but I think it is necessary to at least make it mandatory as an item to be complied with in the TSE's code of corporate conduct. This is very similar to the issue of controlling shareholders, which we have been discussing for some time, but controlling shareholders are very difficult to define, and no matter how we discuss it, we cannot fully control them. Therefore, as a stable approach, I think it is better to enforce in the code of corporate conduct only MBOs and acquisitions of subsidiaries by the parent company. These issues should be discussed immediately at this follow-up council.

**[Okina, member]**

I hope that you will do all of the initiatives listed in the document.

Then, in the promotion of management with an awareness of cost of capital and stock price, I would like to ask you to organize once what kind of movements are actually taking place in listed companies after the request, since MBO movements are emerging, as Mr. Matsumoto pointed out, and to provide an opportunity to have a common understanding on the recognition of issues.

As Mr. Kumagai mentioned earlier, I think it is also important to consider whether there is anything more we can ask of investors in terms of improving the effectiveness of dialogue with investors.

As for improving the functionality of the Growth Market, I believe that specific measures will be developed in the future. In addition to what we discussed today, there are other issues that were pointed out in the interviews with venture capitalists, so we should continue to identify issues other than those listed in the document and consider whether there are additional things we should do.

I think general review of code of corporate conduct is also important, and I understand that the issue of parent-subsidary listings, as pointed out by Mr. Matsumoto, is being discussed by a TSE committee. I would appreciate it if you could tell us what the status of the study is.

**[Ikeda, Senior Manager, Listing Department]**

TSE holds a study group, study group to review minority shareholder protection and other framework of quasi-controlled listed companies, to examine how minority shareholders should be protected in listed companies with controlling shareholders, as in the case of parent-subsidary listings. Although we have once closed the meeting by the end of the year, we will basically continue to examine the ideal listing system, as there are a wide range of issues to be discussed, while proceeding with the expansion of information disclosure at such listed companies and the presentation of the role of independent outside directors.

In the general review of the code of corporate conduct in this follow-up meeting, it is envisaged that the discussions in the study group will also be introduced and further discussed.

**[Okina, member]**

Thank you very much. I would appreciate such a response.

**[Kameyama, Director, Industrial Finance Division, Ministry of Economy, Trade and Industry]**

The METI recognizes that the protection of minority shareholders during M&A, as Mr. Matsumoto mentioned earlier, is an important issue.

As mentioned earlier, in 2019, the METI has released the guidelines for fair M&A practices to show its approach. We look forward to continued progress in the M&A discussion, including discussions at this meeting.

**[Nagami, member]**

I recognize that one of the objectives when we started this follow-up meeting in the first place was to achieve an internationally open market. From this perspective, I believe that TSE should consider reviewing TOPIX, although I will ultimately leave it to TSE to decide whether to handle this issue at this follow-up meeting.

After all, a quality index should represent the market. I think it would be good to think about what should be done with TOPIX, including whether it is really a good thing that TOPIX and the prime market are almost equal, or whether the number of companies is increasing.

**[Sampei, member]**

First, let me check. Regarding the issue of protecting minority shareholders in quasi-controlled listed companies that Mr. Matsumoto mentioned, I am aware that it is included in the last section of the general review of the code of corporate conduct under “respect for shareholders’ rights, especially in cases where there is a controlling shareholder, et cetera,” Is this correct?

**[Ikeda, Senior Manager, Listing Department]**

As you are aware, this is included as a topic for consideration.

**[Sampei, member]**

I understand.

As Mr. Matsumoto mentioned earlier, this year the METI released the guidelines for corporate takeovers. It should be considered how it can be included in the code of corporate conduct to ensure that companies fully understand and carry out its contents. In doing so, I hope we can also incorporate here what we can do to make companies aware of it, including the previous guidelines for fair M&A practices as well.

While it is good on the whole that many things have been implemented very rapidly, and overseas evaluation of Japanese corporate governance is improving, as shown in the ACGA ranking, I feel that many overseas investors are confused by the many things that have been implemented. Even though TSE discloses materials in English, there are more foreign investors than expected who, for example, confuse the issue of P/B ratio below 1x and the decision on the transitional measures deadline as the same measure, and ask questions such as how long a company will be delisted if it leaves P/B ratio at less than 1x.

I think TSE should not only simply translate materials into English, but also disclose more compact materials in English that summarize the overall menu and key points, and at the same time provide guidance so that people will understand the overall picture and will not be confused if they read only those materials. In addition, I would appreciate it if you could expand the information after additional consideration of information in today’s material.

I am also concerned and interested in the subsequent situation regarding the TOPIX review mentioned by Mr. Nagami.

**[Koike, member]**

This follow-up meeting has been discussing and delivering messages quite extensively so far. In future discussions, I think we should consider digging a little deeper into what we have already delivered.

For example, we may delve deeper into how management with awareness of cost of capital and stock price can be disseminated, with actual feedback from listed companies on good practices and examples of challenges that need to be addressed. Regarding improving the effectiveness of dialogue with investors, my opinion is same as the earlier comment.

With regard to improving the functionality of the Growth Market, I think there are some additional discussions that should be held with the participation of parties in different positions, such as having participants from the ecosystem participate and exchange opinions on what they think about the current situation surrounding IPOs and delve a little deeper into it.

I am in favor of discussing new issues in the future, but it would be helpful if you could go into depth about the messages you have discussed and sent out so far.

**[Ando, member]**

Two points, please.

First point, on page two of document seven, the themes that have been discussed in the past are listed in red. The first item, “promote management that is conscious of cost of capital and stock price,” the second item, “improve the effectiveness of dialogue with investors,” and the fourth item, “further expansion of English disclosure practices,” are items that encourage corporate management to make further efforts.

The prerequisite for this is “voluntary disclosure of management information” by companies, which is precisely a necessary condition for fulfilling corporate governance responsibilities, but I feel that this is not yet fully recognized at the present time. Whenever I speak to companies at seminars and symposiums, I always emphasize the importance of promoting management that is conscious of the cost of capital and stock price and improving the effectiveness of voluntary corporate information disclosure and dialogue with investors.

Thus, if you include the message that it is extremely important for companies to voluntarily disclose management information as part of their corporate governance

responsibilities, it will serve as a reminder to management. In other words, no matter how conscious they are of their cost of capital and stock price, unless they disclose what they are doing and how they think, it will not lead to quality dialogue and engagement with active investors, much less appeal to passive investors about the strengths of their management. I would very much like to see this point included, but I will leave it to the Secretariat to respond.

Second, I would very much appreciate a general review of the code of corporate conduct. At the last 12th meeting, I proposed the establishment of a new section in the corporate governance report format regarding promotion of management conscious of cost of capital and stock price, and Mr. Kanda pointed out that the linkage with the code of corporate conduct needs to be ensured. Therefore, I would like to request that a general review be conducted with the items to be included in the corporate governance report in mind. As a result, the information should be very useful to both companies and investors by increasing the attention and comparability of the item as it is included in the report.

Incidentally, although it is still too early to say, if English-language disclosure of the corporate governance report itself were made mandatory, we could appeal that governance in Japan is improving rapidly. In addition, the content of each company's disclosures can give a true picture of management's seriousness and enthusiasm for governance in the broad sense of the term.

Finally, I recognize that the TOPIX review is not the subject of this follow-up meeting. In addition, I understand that stocks with small market capitalization are being phased out of the TOPIX and that the review of the TOPIX is essentially over.

Several members have just pointed out and asked questions, and I would like to ask you to let us know what the Secretariat is aware of.

**[Kikuchi, Director, Listing Department, TSE]**

The review of the TOPIX itself is being handled as a phased exclusion of stocks with a market capitalization of less than JPY10 billion in 10 stages from the end of October 2022 to the end of January 2025.

What to do after that will continue to be discussed, and that discussion is just beginning. As I have said in the past, the JPX Market Innovation & Research Inc. will be the entity responsible for reviewing and making decisions, and we will consider how we can discuss this at this follow-up meeting, based on your comments today.

Thank you very much. With that, we will conclude today's meeting.  
Finally, we would like to explain our next schedule.

**[Ikeda, Senior Manager, Listing Department]**

Thank you very much for your active discussion today. We will consider the agenda for the next follow-up meeting in light of the feedback we received today and will discuss it again in the preliminary briefing. Thank you for your cooperation.

**[Kikuchi, Director, Listing Department, TSE]**

With that, we would like to conclude the meeting. Thank you very much again today. We look forward to working with you again next time.