

Cooperative Meeting on IPO Practicalities  
Summary of Proceedings of the Second Meeting

1. Date and Time: March 10, 2025 (Monday), from 3:00 p.m. to 4:30 p.m.
2. Venue: TSE, 3rd Floor, Room 301
3. Attendees: see list of members
4. Summary of Proceedings

**(1) Future themes in this meeting for discussion and information to be disseminated (such as topics about the Growth Market, MBO re-listing, subsidiary listings, and IR systems) based on the Current Initiatives at Tokyo Stock Exchange (including matters discussed in Follow-up Council)**

- It seems that auditing firms are not particularly interested in continuous disclosure of “Matters Relating to Business Plans and Growth Potential” after listing in the Growth Market. Since auditing firms remain involved with companies even after listing (though not directly involved in disclosure materials), there is value in disseminating information to enhance their understanding of the system.
- Since MBOs and LBOs are completed before IPO stakeholders get involved, it is crucial to actively communicate potential constraints and issues related to listing to those involved in MBOs and LBOs.
- As discussions on capital costs and stock prices progress within listed companies, the likelihood of increased organizational restructuring is high. It would be beneficial to consider actively disseminating information on issues such as inappropriate mergers and spin-offs.
- There are not many examples regarding deep tech, making it a topic of interest among IPO market participants about what is actually reviewed during the examination process. As some examples are emerging, it might be useful to share information on this topic.
- With open innovation becoming a hot topic recently, it is possible for listed companies and their subsidiaries to grow through transactions. There is also a perspective that listing different businesses can reduce volatility and lower capital costs, and if investors understand this, parent-subsidiary listings are not necessarily negative.
- Recently, there has been an increase in information provided by related parties of companies before they are listed, and while this information is appropriately shared

between exchanges and securities companies, there are cases where coordination with auditing firms is required, depending on the content. Therefore, it may be necessary to consider a mechanism for appropriate information sharing among exchanges, securities companies, and auditing firms.

- When discussing and disseminating information from this meeting, in terms of IPO preparation, it is important to distinguish whether the matters must be dealt with, or are merely best to deal with (more likely to earn investor appreciation). If this distinction is unclear, it could cause confusion for companies preparing for an IPO.

**(2) About “Revisions to Q&A on Upfront Investment Type Biotech Startups”**

- I believe that the recent revisions to the Q&A are a good initiative, and I have no intention of asking TSE to take a stricter stance. However, I feel that there is a certain gap between TSE's listing examination criteria and investors' evaluation perspectives, regarding biotech stocks. Currently, merely meeting TSE's examination criteria often does not make a company an attractive investment target at the time of IPO.
- When communicating TSE's stance, it is important for management and shareholders to understand that there is a gap with investors' perspectives, and that both the listing examination and investors' evaluations need to be cleared for a successful listing.
- While I believe that TSE's stance is understood by the management of biotech-related companies considering listing, as well as by venture capital firms and capitalists in the biotech field, it might be beneficial to actively communicate this stance to a segment of potential future entrepreneurs, such as university professors.
- This issue is not limited to biotech stocks, but there are instances where shareholder monitoring weakens after listing, leading to a relaxation of management discipline and a decline in disclosure quality. Companies with difficult-to-assess valuations, such as those with deficits or in the biotech sector, are required to provide more comprehensive disclosures. However, while disclosure content is checked during the listing examination, I feel that there is currently a lack of mechanisms to monitor continuous compliance after the company goes public.