



TSE's Future Actions in Response to the Summary of Discussions of the Follow-up Council (Draft)

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

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1. Handling of Transitional Measures

Purpose

- Immediately clarify how the transitional measures, including the timing of termination, will be handled in the future from the perspective of ensuring a healthy industrial metabolism.
- Put a specific framework in place for securing opportunities for shareholders to sell their shares in companies to be delisted before those companies are delisted due to the termination of the transitional measures.

Specific Actions

Actions	Implementation Timing
<p>Promptly decide on the policy for handling transitional measures based on the follow-up council's summary and publish the outline of specifications.</p> <p>a Note: TSE will also consider how to inform investors in companies to which the transitional measures apply (company name, non-compliant criteria, planning period, etc.).</p>	Implement promptly
<p>b Decide on how to secure opportunities for shareholders to sell their shares in companies to be delisted due to not meeting the continued listing criteria and publish the outline of specifications.</p> <p>Note: TSE will consider extending the period of designation as Securities to Be Delisted, which is currently set at one month from the decision to delist.</p>	Implement promptly

2. a) Raise Awareness of Capital Efficiency and Stock Price

Purpose

- Encourage listed companies to raise awareness of capital efficiency and stock price/market capitalization and promote efforts to improve them.

Specific Actions

Actions	Implementation Timing
<p>Require that management and the board of directors properly identify the company's cost of capital and capital efficiency, evaluate those statuses and its stock price and market capitalization, and disclose policies and specific initiatives for improvement as necessary.</p> <p>➤ Especially for companies that clearly need to improve, such as those with a PBR consistently below 1x.</p> <p>a</p> <p>Note: Notify listed companies of the above request as a principle-based response in accordance with the intent of the Principle 5.2 of the Corporate Governance Code.</p> <p>Note: Approach for companies listed in the Growth Market in which growth potential is important will be considered separately.</p>	Spring 2023
<p>Review and revise the Code of Corporate Conduct as necessary to clarify the responsibilities of listed companies, such as awareness of capital profitability and respect for shareholders' rights, and to ensure their effectiveness, among other things.</p> <p>b</p>	During FY2023
<p>In addition, in order to raise awareness among management in listed companies, promote understanding and recommend stock compensation plans, inspect and update e-learning and other training content related to capital markets and corporate governance, and compile and publish case studies.</p> <p>c</p>	Implement at appropriate timing

2. b) Improve the Quality of Corporate Governance

Purpose

- Promote listed companies' efforts to improve the “quality” of corporate governance.

Specific Actions

Actions	Implementation Timing
<p>Re-emphasize the purpose of the “Comply or Explain” principle and clearly state inappropriate cases of explanations.</p> <p>a Note: Encourage self-inspections to ensure that “Comply or Explain” is being conducted appropriately and encourage listed companies with a high need for improvement on an individual basis.</p>	Autumn 2023
<p>b Investigate the actual status of activities of nomination committees and remuneration committees, and compile and publish the status and examples thereof.</p>	Autumn 2023

2. c) Further Expansion of English Disclosure Practices

Purpose

- Encourage companies listed in the Prime Market to expand the coverage of English disclosure practices and accelerate the timing of disclosure, with a view to making English disclosure of necessary information mandatory as the transitional measures expire.
- Promote voluntary English disclosure practices in the Standard Market and Growth Market as well.

Specific Actions

Actions	Implementation Timing
a Decide and announce the contents to be made mandatory in the Prime Market, while continuing to implement individual approaches, information dissemination activities, and other initiatives.	During FY2023
b Compile and publish examples of English disclosure in the Standard Market and Growth Market.	Autumn 2023

2. d) Improve the Effectiveness of Dialogue with Investors

Purpose

- Promote constructive dialogue with investors in the Prime Market.
- Encourage independent directors to fully understand their role.
- Expand the base of investors who are responsible for dialogue, while maintaining their quality.

Specific Actions

Actions	Implementation Timing
a Require companies listed in the Prime Market to include in their corporate governance reports the status of dialogue between management and investors and the content of such dialogue.	Spring 2023
b Conduct educational activities to promote understanding of the roles expected of independent directors (e.g., sending booklets to independent directors that refer to their roles, etc.)	Implement at appropriate timing
c Consider measures to increase awareness and interest in dialogue with companies among asset owners, such as corporate pension funds, in cooperation with stakeholders.	Implement at appropriate timing