

Study on Capital Liquidity with Consideration on Stock Market Listing Media Channel Publication Material



Background and circumstances



- ◆ In order to achieve the 2030 Vision without downward revision even amidst the effects of COVID-19, we have decided to examine the main areas of management and consider (replanning) new growth strategies with nothing off limits
- ◆ One of the 13 measures for the replanning being raised is to lift the ban on clubs being listed on the stock market, which is practically impossible under the current rules and regulations of the J.LEAGUE, although there are leagues around the world that allow it
- ◆ The background for this is that it could lead to the development and value enhancement of not only the listed clubs but also the League as a whole, such as attracting investors with capital strength and strengthening the business management system of the clubs
- ◆ In addition, because the essence of the theme is improvement of capital liquidity, we have decided to name the measure “Study on Capital Liquidity with Consideration on Stock Market Listing” and to consider it in a project centered on the Club Management Headquarters
- ◆ Consideration under the project has proceeded for about 10 months, from “initial consideration” to “consideration of revised policies regarding overall policies, rules, and regulations,” “consideration of specific rules and regulations,” and “resolution to revise the text of the regulations”

Summary of the resolution

Project consideration results

- ◆ Listing on the stock market will contribute to enhancing the public nature, transparency, and corporate value of clubs, and will not undermine the League's philosophy and ideology. Increasing capital liquidity can be expected to accelerate the growth of clubs and the League as a whole, so we will revise the rules and regulations to enable clubs to be listed on the stock market

Basic policy for listing

- ◆ Allow clubs to list shares on the stock market as part of capital liquidity, as there are great advantages for both the clubs and the League that can cover the disadvantages
- ◆ Revise the rules and regulations concerning stock transfers in line with the above
- ◆ In conjunction, from the perspective of integrity, expand and redefine the scope of prohibition of ownership of club shares

Future plans

- ◆ Formulate a guide for listing and shareholding, and conduct disclosure on the significance and details of listing, as well as public information
- ◆ Provide explanations to applicable organizations and persons, etc., such as the League executives, employees, referees, and match commissioners, as well as club executives, employees, players, managers, and coaches during the period of spreading awareness in advance
- ◆ Incorporation into the final text of the regulations and preparation for implementation

Appendix



1. Background

2. Circumstances and initial consideration process

3. Policy and revision direction

4. Summary of the resolution

5. Future plans

1. Background

- ◆ In order to achieve the 2030 Vision without downward revision even amidst the effects of COVID-19, we have decided to examine the main areas of management and consider (replanning) new growth strategies with nothing off limits
- ◆ One of the 13 measures for the replanning being raised is to lift the ban on clubs being listed on the stock market, which is practically impossible under the current rules and regulations of the J.LEAGUE, although there are leagues around the world that allow it
- ◆ The background for this is that it could lead to the development and value enhancement of not only the listed clubs but also the League as a whole, such as attracting investors with capital strength and strengthening the business management system of the clubs
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2. Circumstances and initial consideration process: Summary of the consideration content

(1) Advantages and disadvantages of being a publicly listed club

- There are sufficient advantages for being a club listed on the stock market, and listing is realistically possible.
- We believe the disadvantages can be covered in “(4) Rules and regulations that should be established in the case of allowing stock listing and in the liquidity of shares”

(2) Future potential and risks for the J.LEAGUE as a whole

- Regarding the future potential of the J.LEAGUE as a whole, we believe that it is greatly significant to keep the League in a state where it can be listed, as the accelerated growth of the League as a whole can be expected. We also believe that there will be no significant disadvantage to clubs that do not wish to be listed.
- At the same time, we believe that the risks can be covered in “(4) Rules and regulations that should be established in the case of allowing stock listing and in the liquidity of shares”

(3) Club practices before, during, and after listing

- Club practices before, during, and after listing are complex and varied, but we believe they can be handled if there is steady preparation.
- Based on the clubs’ practice, deal with the “(4) Rules and regulations that should be established in the case of allowing stock listing and in the liquidity of shares”

(4) Rules and regulations that should be established in the case of allowing stock listing and in the liquidity of shares

- It is concluded to be sufficiently possible to resolve the matters of concern for the League and clubs by establishing the applicable rules and regulations.
- Specific revisions to the rules and regulations can be broadly classified into the following three components
 - 1 Sort out management methods for new share issuance, share transfers, etc.
 - 2 Response to cross-ownership
 - 3 Sort out the scope of possible shareholdings in listed clubs

➡ Increased capital liquidity, including listing, will promote accelerated growth of the League as a whole. We have decided to promote the development of rules and regulations that encourage clubs to make independent efforts while preventing disadvantages to specific clubs

3. Policy and revision direction: Summary

Overall policy regarding the Study on Capital Liquidity with Consideration on Stock Market Listing

Since stock listing will contribute to the public nature, transparency, and corporate value of clubs and can be expected to accelerate the growth of clubs and the League as a whole by increasing capital liquidity, it is greatly significant to keep the clubs in a state that allows them to be listed. The League's philosophy and ideology will not be undermined, so we will revise the rules and regulations to enable clubs to be listed on the stock market.

I. Basic policy on club listing

1. There are great advantages for both the clubs and the League that can cover the disadvantages, so we will respond by allowing clubs to be listed as part of capital liquidity
2. Revise rules and regulations concerning stock transfers in line with the above
 - 1) Eliminate rules and regulations concerning stock transfers that have made listing virtually impossible
 - 2) However, in order to eliminate the risk of ownership by inappropriate shareholders, which is the matter of greatest concern, the League will continue to check for shareholdings above a certain percentage, while assuming that the clubs will also take preventative measures
3. In conjunction, from the perspective of integrity, expand and redefine the scope of prohibition on ownership of club shares

II. Direction of rules and regulations revision

1. Concepts for rules and regulations revision
 - 1) The level of control over club management by the League is based on information management and maneuverability, with safety as the most important factor
 - 2) Fairly and appropriately set rules and regulations, whether listed or unlisted, to ensure overall equality and appropriateness
 - 3) Clarify matters to be avoided and consider special measures as necessary, taking into account soundness and governance
 - 4) Reorganize existing rules and regulations for which there were no relevant codes or whose interpretation was ambiguous
 - 5) Sort out responses to advance measures, information disclosure, discipline, and post-management
 2. Main discussion points
 - 1) Stock transfers of less than 15%
 - Elimination of advance reporting by all clubs (submission of shareholder list once per year)
 - 2) New appearance of shareholders with 15% or more
 - Pre-approval for stock transfers at the will of the clubs; post-approval for stock transfers not at the will of the clubs
 - The chairman is the decision maker, and the Board of Directors receives a report afterwards
 - 3) Prohibition of ownership of shares
 - League executives, employees, referees/match commissioners, and brokers are prohibited from owning shares in all J.Clubs
 - Club executives, employees, players, managers, and coaches are prohibited from holding shares in other J.Clubs
 - 4) Liquidity ratio of shares
 - Regulations will not be set on liquidity ratio of shares (liquidity share ratio and strong shareholder ratio)
 - Clubs that do not meet the requirements for major shareholders by liquidity of shares will be required to rectify shares within a certain period of time. If they fail to do so, they will be subject to disciplinary penalties, including expulsion from the League.
- * "Shares" means, unless otherwise specified, in addition to stocks, share options, bonds with share options, and other rights to acquire shares (including potential shares).

3. Policy and revision direction: The basic policy and response to the direction of rules and regulations revision

- ◆ We established the direction of rules and regulations revision in accordance with the basic policy on club listing

Basic policy on club listing

Allow clubs to list shares on the stock market as part of capital liquidity, as there are great advantages for both the clubs and the League that can cover the disadvantages

- ◆ Revise the rules and regulations concerning stock transfers in line with the above
 - Eliminate rules and regulations concerning stock transfers that have made listing virtually impossible
 - To eliminate the risk of ownership by inappropriate shareholders, which is the matter of greatest concern, the League will continue to check for shareholdings above a certain percentage
- ◆ In conjunction, from the perspective of integrity, expand and redefine the scope of prohibition of ownership of club shares



Direction of rules and regulations revision

- ◆ Eliminate advance reporting of stock transfers of less than 15%
- ◆ In the case of the appearance a new large shareholder with 15% or more, the League will review the appropriateness of the shareholder, require clubs that have not eliminated inappropriate shareholdings within a certain period of time to rectify them, and take disciplinary penalties, including expulsion from the League, if they fail to do so.
- ◆ Prohibition of League executives, employees, referees/match commissioners, and brokers from owning shares in all J.Clubs
- ◆ Prohibition of Club executives, employees, players, managers, and coaches from owning shares in other J.Clubs

3. Policy and revision direction: Advantages and disadvantages of club listing

Clubs

League

Advantages

- ◆ Improvement of public interest
- ◆ Increased willingness of investors to invest
- ◆ Increased financing options
- ◆ Enhancement of business management system
- ◆ Enhancement of human resources recruitment capabilities
- ◆ Improvement of accountability by disclosing information

- ◆ Improvement of public interest
- ◆ Actualization of club value
- ◆ Acceleration of growth
- ◆ Establishment of an open image to society and the business community



◆ **Great advantages**

Disadvantages

- ◆ Risk of hostile takeover
- ◆ Risk of share ownership by inappropriate shareholders such as cross ownership and shareholding by organized crime groups
- ◆ Increased costs associated with listing and burdens of handling operations

- ◆ Risk of confusion and scandals due to share ownership by inappropriate shareholders such as cross ownership and shareholding by organized crime groups



◆ **There are certain disadvantages, but the largest of these, share ownership by inappropriate shareholders, can be covered by the following**

- Club takeover defense measures
- Handling via League rules and regulations

Possibility of implementation

- ◆ Possible
 - It is expected to be able to meet the listing criteria
 - Free stock transfers are currently not allowed, but can be allowed by changing the regulations

- ◆ Possible
 - Low possibility of being required to change the rules and procedures that would make it impossible to respond



◆ **Some rules need to be changed, but it is possible**

4. Summary of the resolution

Project consideration results

- ◆ Listing on the stock market will contribute to enhancing the public nature, transparency, and corporate value of clubs, and will not undermine the League's philosophy and ideology. Increasing capital liquidity can be expected to accelerate the growth of clubs and the League as a whole, so we will revise the rules and regulations to enable clubs to be listed on the stock market

Basic policy for listing





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Future plans

- ◆ Formulate a guide for listing and shareholding, and conduct disclosure on the significance and details of listing, as well as public information
- ◆ Provide explanations to applicable organizations and persons, etc., such as the League executives, employees, referees, and match commissioners, as well as club executives, employees, players, managers, and coaches during the period of spreading awareness in advance
- ◆ Incorporation into the final text of the regulations and preparation for implementation

4. Consideration results: Revision of the regulations text and formulation of new regulations (summary)

- ◆ Revisions to the existing regulations will be implemented in March of this year. We aim to implement the new regulations in January 2023

Direction of rules and regulations revision	Revision summary	Implementation period	
◆ Elimination of advance reporting of stock transfers of less than 15%		◆ Full elimination of Article 29 Section 1, which imposes the obligation of advance reporting of stock transfers	March 2022
◆ In the case of the appearance of a new large shareholder with 15% or more, the League will review the appropriateness of the shareholder, require clubs that have not eliminated inappropriate shareholdings within a certain period of time to rectify them, and take disciplinary penalties, including expulsion from the League, if they fail to do so.		◆ Specification that instead of the current advance approval by the League, the League may review the appropriateness of shareholders based on a declaration submitted by clubs and require clubs to rectify share ownership by inappropriate shareholders	March 2022
◆ Prohibition of club executives and employees from owning shares in other J.Clubs		◆ Scope of prohibition of share ownership by club executives and employees expanded to include owning 15% or more of the shares of a corporation that could seriously influence other J.Clubs from a cross-ownership perspective as well as shares of a corporation under the serious influence of a club	March 2022
◆ Prohibition of League executives, employees, referees/match commissioners, and brokers from owning shares in all J.Clubs		◆ New regulations on club shares ownership by league executives, employees, referees and match commissioners, players, managers, and coaches, which had not been explicitly stated before	January 2023 (Target)
◆ Prohibition of players, managers, and coaches from owning shares in other J.Clubs			

5. Future plans

Information dissemination

- ◆ Formulate a guide for listing and shareholding, and sort out public information
- ◆ Conduct disclosure on the significance and details of listing, as well as public information

Advance efforts to spread awareness

- ◆ Provide explanations to applicable organizations and persons, etc., such as the League executives, employees, referees, and match commissioners, during the period of spreading awareness in advance
- ◆ Provide explanations to applicable organizations and persons, etc., such as club executives, employees, players, managers, and coaches, during the period of spreading awareness in advance

Formulation of new text

- ◆ Incorporation into the final text of the regulations and preparation for implementation