



# **Secretariat's Explanatory Material**

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

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

July 29, 2022



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# I . Objectives and Procedures of the Council

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### Reference Materials



# 1. Overview of TSE Market Restructuring

- On April 4, 2022, TSE restructured the cash equity market to incentivize sustainable growth and medium- to long-term corporate value creation at listed companies, thereby providing an attractive market that gains support from various types of investors both domestic and overseas.

## Old Market Divisions

### 1st Section

For companies with high liquidity

### Mothers

For startups

### 2nd Section

For companies with a track record

## JASDAQ

For various companies

Standard

Growth

### Indicated Issues

- Ambiguity in the market division concepts
- Poor incentives for sustainable growth
- Lack of an index with functionality as an investable index

Transition to new market segments on April 4, 2022

## New Market Segments



### Prime

The market oriented to companies which center their business on constructive dialogue with global investors

### Standard

The market oriented to companies with sufficient liquidity and governance levels to be investment instruments

### Growth

The market oriented to companies with high growth potential

### Basic Concepts

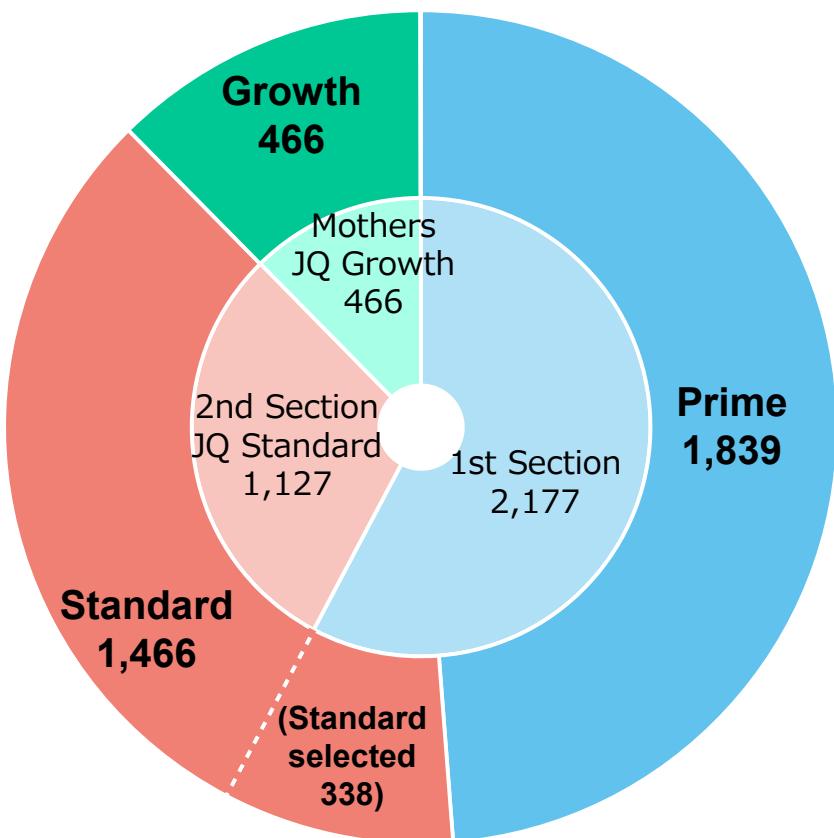
- Criteria are set according to the concept of each market segment
- Initial listing criteria and continued listing criteria for each market segment have been standardized in principle.

# 2. Segment Selection by Listed Companies

- Listed companies selected their new market segments by the end of last year based on the concepts and criteria of the new market segments and their business environments.
- In transitioning to their new market segments, listed companies have been making efforts to improve liquidity and governance.

## Number of Companies on Each Market Segment

Inner Circle: Old Market Segment  
Outer Circle: New Market Segment



**Total Number of Listed Companies:  
3,771 (as of Apr 4, 2022)**

Note: 1 company was newly listed on the Growth Market on April 4, 2022.

## Actions of Listed Companies for Transition

### Prime Market (selected by 1,839 companies)

- Changes have already been seen, for example implementing better governance (Board of Directors, disclosure in English, etc.) based on the revision of the Corporate Governance Code, selling more shares to improve liquidity, reviewing business portfolios, and removing parent-child listings.
- The 295 companies that do not meet the continued listing criteria have disclosed plans to meet the standards and will work to improve corporate value by implementing growth strategies and improve liquidity by reducing strategically held shares and cancelling treasury shares.

### Standard Market (selected by 1,466 companies)

- 338 companies listed on the 1st Section selected the Standard Market as the most suitable segment for their company in order to improve their corporate value, based on their business environment and management strategy.
- JASDAQ Standard listed companies will work on compliance with all principles of the Corporate Governance Code.

### Growth Market (selected by 466 companies)

- Companies will disclose "business plans and matters related to high growth potential" and work on measures for future growth.

# 3. Objectives and Procedures of the Council

## Objectives of the Council

- ❑ Since the transition to the new market segments is only a starting point for listed companies to enhance their corporate value over the medium- to long-term, continuous follow-up is necessary even after the transition.
- ❑ Therefore, to make the market restructuring more effective, TSE has established the Council in order to follow up on the progress of measures and opinions from investors, while advising TSE on additional actions such as those regarding listed companies' efforts to increase corporate value, the handling of transitional measures, and the supply of capital to start-up companies.

## How the Council will Proceed

- ❑ At the first meeting, we will seek a wide range of opinions from the Council members regarding the content and methods for following up, as well as possible measures to ensure the effectiveness of the market restructuring, while taking into account the current status of each market segment.
  - ❑ From the second meeting onward, we plan to seek opinions from a wide range of stakeholders by, for example, inviting guest speakers and holding a public consultation on issues raised at the first meeting, before summarizing the issues raised.
  - ❑ Thereafter, the council will evaluate progress from the viewpoints summarized on an ongoing basis.
- ⇒ TSE will consider additional measures as appropriate based on the discussions.

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# 1. a) Distribution of Market Capitalization in Each Market Segment

- In each segment, there is a wide distribution of market capitalization among the listed companies.
- Listed companies at the lower end of the market capitalization range in the Prime and Standard Markets face the challenge of consistently meeting the criteria for tradable share market capitalization (JPY 10 billion in the Prime Market and JPY 1 billion in the Standard Market).

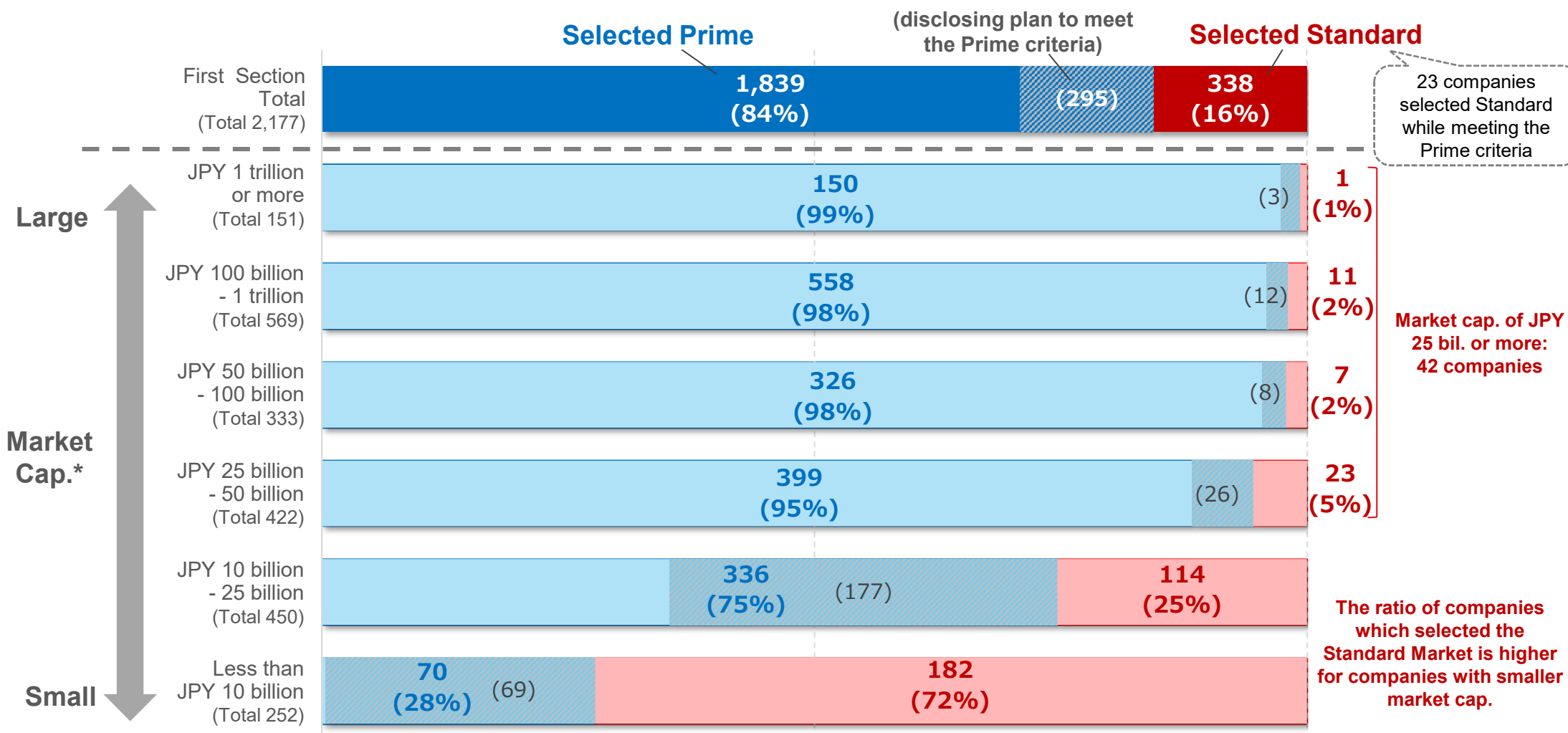


Note: Market capitalization as of July 1, 2022



# Reference: Segment Selection of Companies Listed on the 1st Section by Market Cap.

- The ratio of companies which selected the Standard Market is higher for companies with smaller market capitalization: 72% (182 companies) of companies with market capitalization of less than JPY 10 billion chose the Standard Market.
- On the other hand, a certain number of companies with sufficient market capitalization (42 companies with market capitalization of JPY 25 billion or more) also chose the Standard Market.



Note: Market capitalization is as of the transition base date (the end of June 2021)

# Reference: Comparison with Global Exchanges (1) (Prime Market)



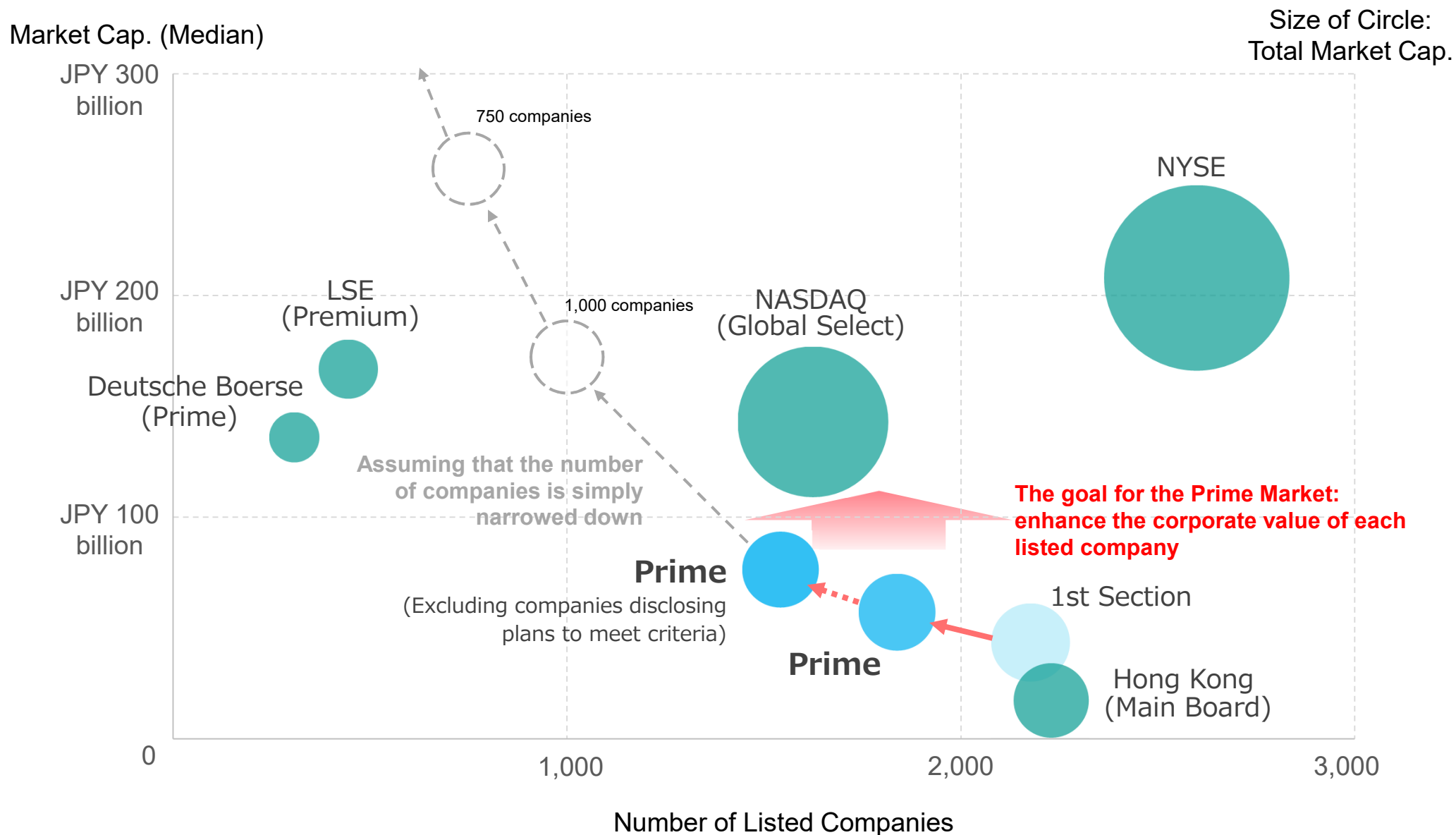
Item	TSE (Old)	TSE (New)		Multiple Segments			One Segment	
				NASDAQ	LSE	Deutsche Boerse	NYSE	HKEx
Name	1st section	<b>Prime</b>		Global Select	Premium	Prime	NYSE	Main Board
Concept	-	-		World's Highest listing Criteria	Higher listing criteria	Global investors	Large/mid size companies	
Number of Companies (Total for All Segments)	2,177 (3,770)	<b>1,838</b> <b>(3,776)</b>	<b>1,543</b> <b>(3,776)</b>	1,624 (3,797)	444 (663)	307 (490)	2,599	2,229
Total Market Cap. (JPY)	715 tril.	<b>673 tril.</b>	<b>666 tril.</b>	2,654 tril.	400 tril.	285 tril.	4,013 tril.	651 tril.
Market Cap. (Median) (JPY)	43.4 bil.	<b>57.3 bil.</b>	<b>76.2 bil.</b>	143.0 bil.	166.8 bil.	136.1 bil.	207.9 bil.	17.3 bil.

Excluding companies disclosing plan to meet criteria

Note: TSE (Old) as of Apr. 1, 2022, others as of Jul. 1, 2022 (source: each exchange's website)

Note: The total number of companies for all segments is the aggregated number of companies on the 1st and 2nd Sections, Mothers, and JASDAQ for TSE (Old), the Prime, Standard, and Growth Markets for TSE (New), the Global Select, Global, and Capital Markets for NASDAQ, the Premium and Standard Markets for LSE (excluding investment funds), and the Prime, General, and Scale markets for Deutsche Boerse.

## Market Cap. (Median) and Number of Listed Companies

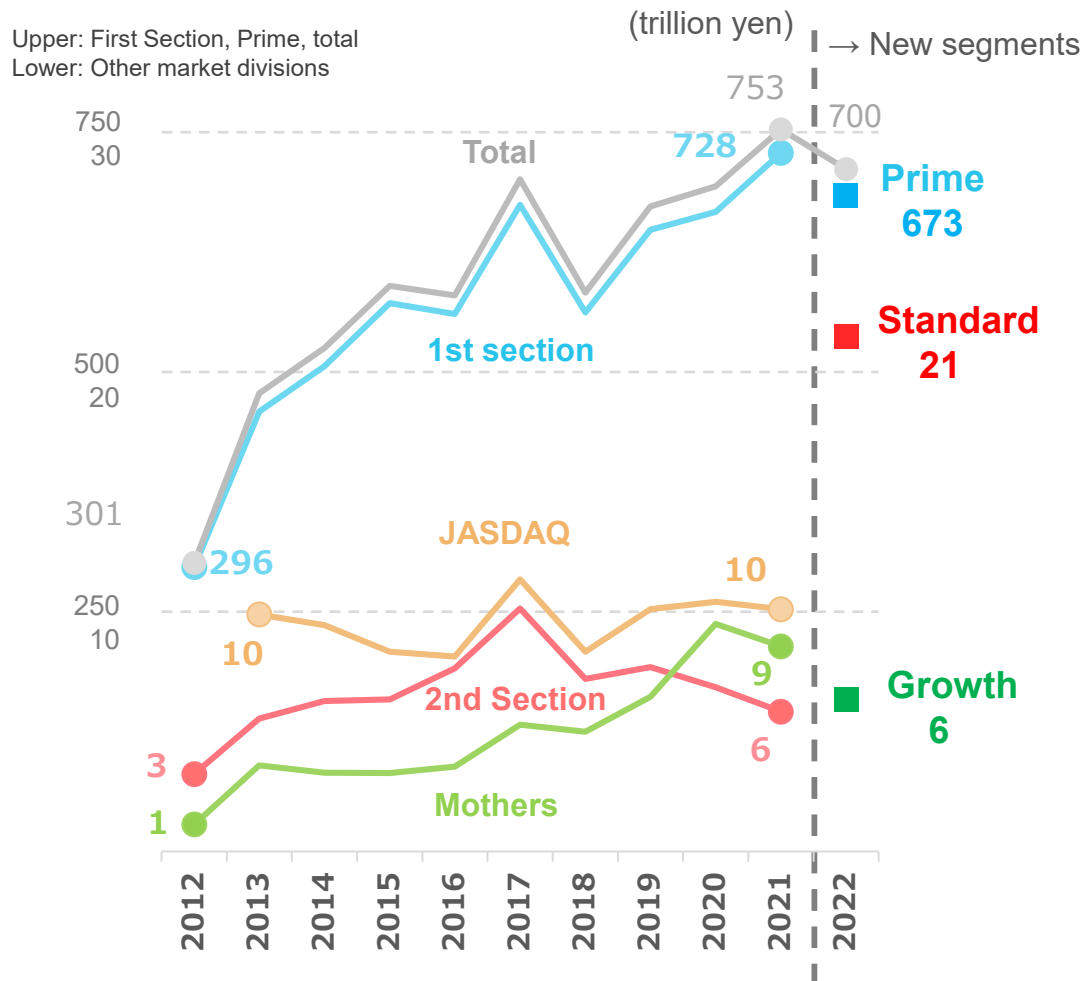


Note: TSE (old divisions) as of Apr. 1, 2022, others as of Jul. 1, 2022 (source: each exchange's website)

# 1. b) Total Market Capitalization (Past 10 Years)

- The market capitalization over all divisions has doubled over the past 10 years, with significant increases in the divisions for growth companies.

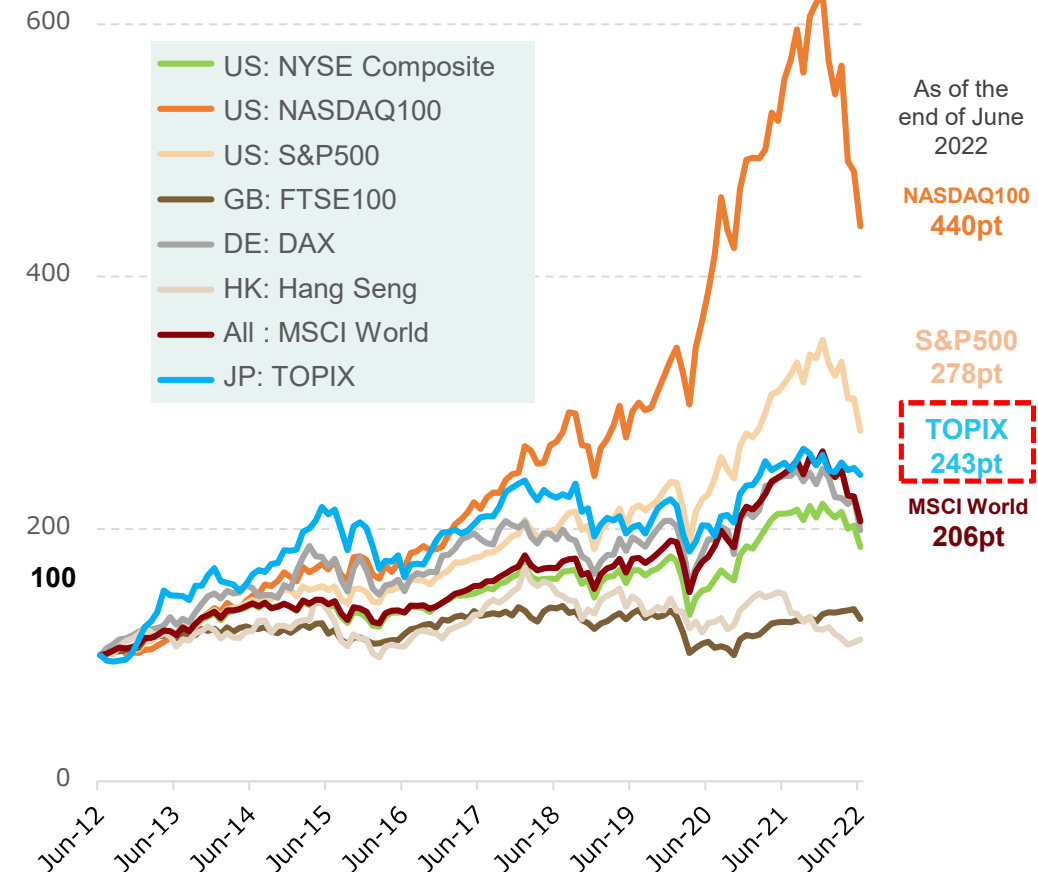
## Total Market Capitalization



Note: As of the end of the year for 2012 through 2021, and as of July 1 for 2022.

## Major Stock Indices

Where index values at the end of June 2012 are 100



Note: Compiled by TSE based on Bloomberg data.

# 1. c) Change in Market Cap. of Listed Companies (Past 10 Years)

- Over the past 10 years, 86% of listed companies have increased their market capitalization, and 118 companies have increased their market capitalization 10 times or more.

Change in Market Cap. in the Past 10 yrs.	Market Cap. in 2012 (JPY)								Total		
	Less than 10 bil.		10 bil. - 100 bil.		100 bil. - 1 tril.		1 tril. or more				
<b>10x or more</b>	87	6%	24	2%	6	2%	1	2%	<b>118</b>	<b>4%</b>	<b>Up 2,474 companies (86%)</b>
<b>5x - 10x</b>	154	11%	65	6%	32	9%	2	4%	<b>253</b>	<b>9%</b>	
<b>3x - 5x</b>	253	17%	152	15%	57	16%	6	12%	<b>468</b>	<b>16%</b>	
<b>2x - 3x</b>	309	21%	210	21%	81	23%	16	33%	<b>616</b>	<b>21%</b>	
<b>1x - 2x</b>	480	33%	388	38%	131	38%	20	41%	<b>1,019</b>	<b>35%</b>	
<b>0.5x - 1x</b>	155	11%	154	15%	33	9%	4	8%	<b>346</b>	<b>12%</b>	<b>Down 402 companies (14%)</b>
<b>Less than 0.5x</b>	16	1%	31	3%	9	3%	-	-	<b>56</b>	<b>2%</b>	
<b>Total</b>	<b>1,454</b>	<b>100%</b>	<b>1,024</b>	<b>100%</b>	<b>349</b>	<b>100%</b>	<b>49</b>	<b>100%</b>	<b>2,876</b>	<b>100%</b>	

Note: Comparison of market cap. between June 30, 2012 and June 30, 2022 for companies that have been listed continuously in that period

# Reference: Companies whose Market Cap. Has Increased 10 Times or More in the Past 10 Years

(Current market cap. is 100 billion yen or more: 44 companies)

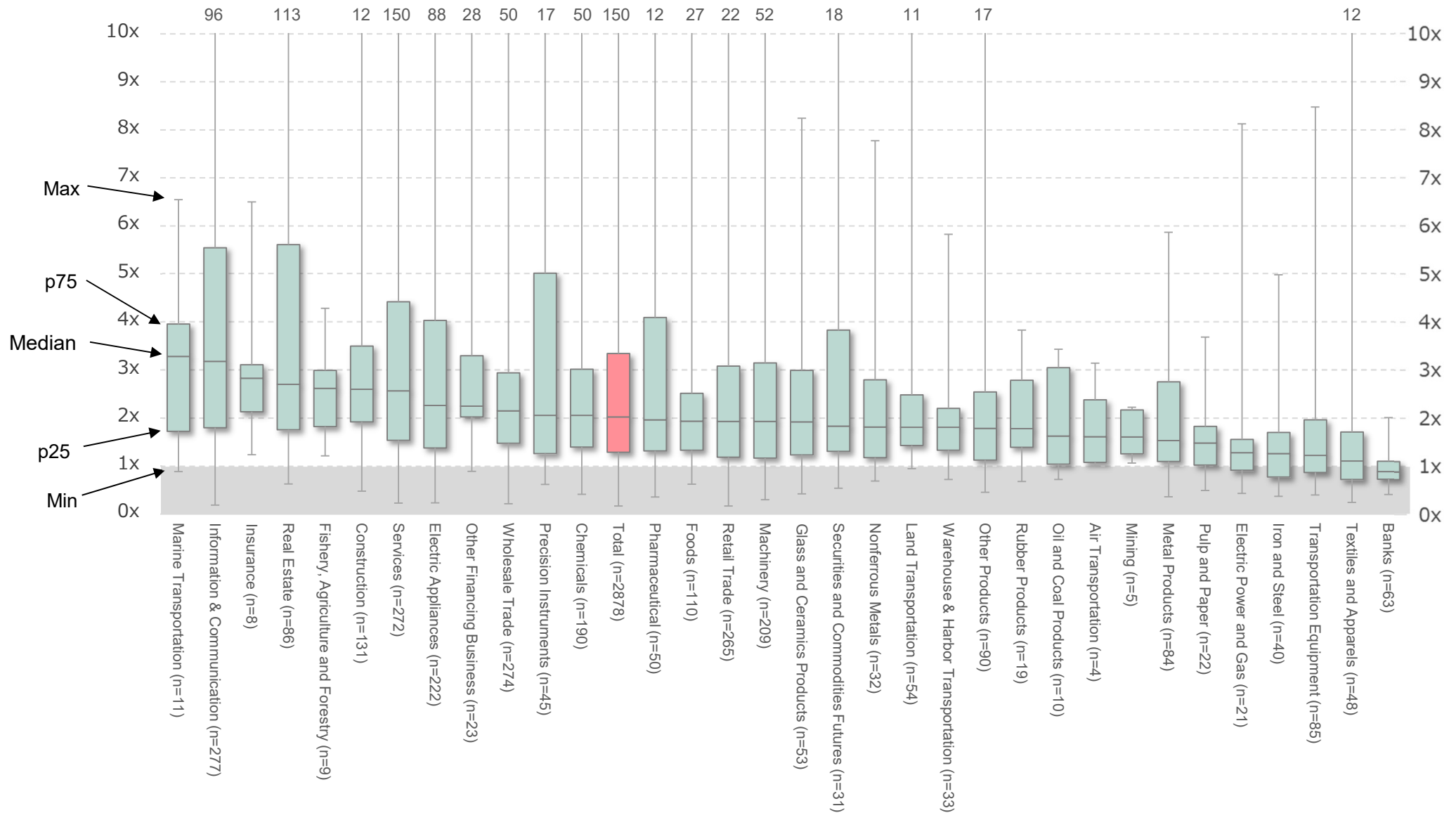
#	Code	Name	Segment	Listed Year	Sector	Market Cap. in 2012* (bil. yen)	Market Cap. in 2022* (bil. yen)	Increased Amount (bil. yen)	Change Rate
1	6920	Lasertec Corporation	Prime	1990	Electric Appliances	17	1,523	+1,505	87.7x
2	2379	dip Corporation	Prime	2004	Services	4	226	+222	58.0x
3	3038	KOBE BUSSAN CO.,LTD.	Prime	2006	Wholesale Trade	18	910	+892	50.4x
4	6323	RORZE CORPORATION	Prime	1997	Machinery	3	149	+146	48.1x
5	3003	Hulic Co.,Ltd.	Prime	1949	Real Estate	18	806	+788	44.6x
6	6055	JAPAN MATERIAL Co.,Ltd.	Prime	2011	Services	6	204	+198	33.8x
7	2154	BeNext-Yumeshin Group Co.	Prime	2007	Services	4	137	+132	30.6x
8	2427	OUTSOURCING Inc.	Prime	2004	Services	5	130	+126	27.7x
9	8771	eGuarantee,Inc.	Prime	2007	Other Financing Business	4	101	+98	27.5x
10	3769	GMO Payment Gateway,Inc.	Prime	2005	Information & Communication	27	731	+704	27.2x
11	2222	Kotobuki Spirits Co.,Ltd.	Prime	1994	Foods	9	230	+221	26.6x
12	2491	ValueCommerce Co.,Ltd.	Prime	2006	Services	5	108	+103	21.9x
13	3387	create restaurants holdings inc.	Prime	2005	Retail Trade	9	199	+190	21.8x
14	3064	MonotaRO Co.,Ltd.	Prime	2006	Retail Trade	53	1,011	+958	19.0x
15	6723	Renesas Electronics Corporation	Prime	2003	Electric Appliances	128	2,406	+2,279	18.9x
16	4686	JUSTSYSTEMS CORPORATION	Prime	1997	Information & Communication	13	246	+233	18.8x
17	6966	Mitsui High-tec,Inc.	Prime	1984	Electric Appliances	18	332	+314	18.3x
18	4816	TOEI ANIMATION CO.,LTD.	Standard	2000	Information & Communication	25	454	+428	18.0x
19	2412	Benefit One Inc.	Prime	2004	Services	16	290	+274	17.8x
20	7839	SHOEI CO.,LTD.	Prime	2004	Other Products	8	143	+134	17.4x
21	6383	DAIFUKU CO.,LTD.	Prime	1961	Machinery	57	982	+926	17.3x
22	6951	JEOL Ltd.	Prime	1962	Electric Appliances	16	270	+254	17.2x
23	7747	ASAHI INTECC CO.,LTD.	Prime	2004	Precision Instruments	33	556	+523	16.7x
24	2127	Nihon M&A Center Holdings Inc.	Prime	2006	Services	32	486	+453	15.1x
25	4293	SEPTENI HOLDINGS CO.,LTD.	Standard	2001	Services	8	110	+103	14.4x

#	Code	Name	Segment	Listed Year	Sector	Market Cap. in 2012* (bil. yen)	Market Cap. in 2022* (bil. yen)	Increased Amount (bil. yen)	Change Rate
26	6630	YA-MAN LTD.	Prime	2009	Electric Appliances	7	101	+94	14.3x
27	4612	NIPPON PAINT HOLDINGS CO.,LTD.	Prime	1949	Chemicals	171	2,397	+2,225	14.0x
28	2175	SMS CO.,LTD.	Prime	2008	Services	17	233	+216	13.9x
29	7419	Nojima Co.,Ltd.	Prime	1994	Retail Trade	11	144	+134	13.7x
30	2413	M3,Inc.	Prime	2004	Services	201	2,646	+2,445	13.1x
31	4684	OBIC Co.,Ltd.	Prime	1998	Information & Communication	152	1,911	+1,759	12.6x
32	6758	SONY GROUP CORPORATION	Prime	1958	Electric Appliances	1,128	13,992	+12,864	12.4x
33	8111	GOLDWIN INC.	Prime	1981	Textiles and Apparels	29	362	+332	12.3x
34	3635	KOEI TECMO HOLDINGS CO.,LTD.	Prime	2009	Information & Communication	60	736	+676	12.3x
35	4812	Information Services International-Dentsu,Ltd.	Prime	2000	Information & Communication	21	262	+240	12.2x
36	4552	JCR Pharmaceuticals Co.,Ltd.	Prime	1992	Pharmaceutical	25	300	+275	12.1x
37	2384	SBS Holdings,Inc.	Prime	2003	Land Transportation	10	108	+99	11.2x
38	3141	WELCIA HOLDINGS CO.,LTD.	Prime	2008	Retail Trade	51	570	+519	11.2x
39	6432	TAKEUCHI MFG.CO.,LTD.	Prime	2002	Machinery	11	114	+103	10.8x
40	3626	TIS Inc.	Prime	2008	Information & Communication	83	893	+810	10.7x
41	8035	Tokyo Electron Limited	Prime	1980	Electric Appliances	667	6,964	+6,297	10.4x
42	4368	FUSO CHEMICAL CO.,LTD.	Prime	2001	Chemicals	12	126	+114	10.4x
43	3765	GungHo Online Entertainment,Inc.	Prime	2005	Information & Communication	21	218	+197	10.4x
44	7733	OLYMPUS CORPORATION	Prime	1949	Precision Instruments	349	3,506	+3,157	10.0x

\* As of the end of June

# Reference: Change in Market Cap. of Listed Companies in the Past 10 Years by Industry

Change in market cap. in the past 10 yrs.



Note 1: "p75" indicates companies in the 75th percentile from the bottom, and "p25" indicates companies in the 25th percentile from the bottom.

Note 2: Comparison of market cap. between June 30, 2012 and June 30, 2022 for companies that have been listed continuously in that period.

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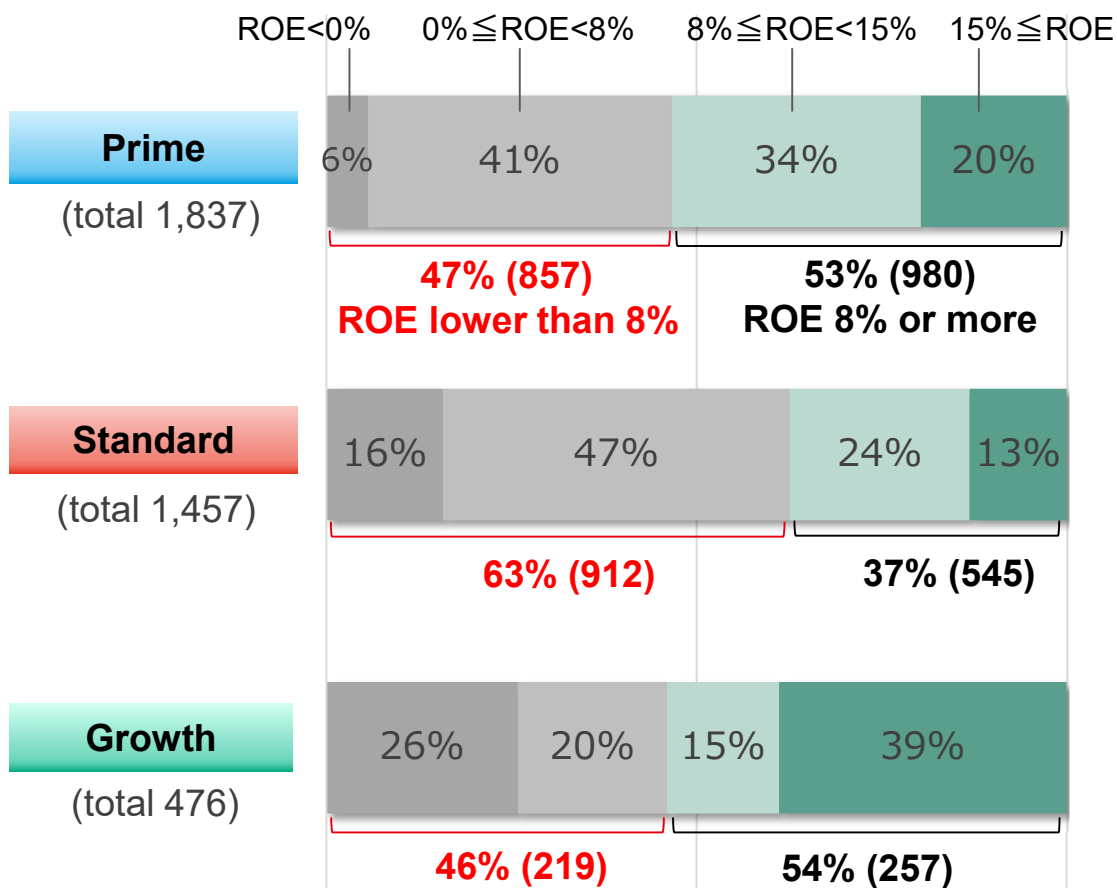




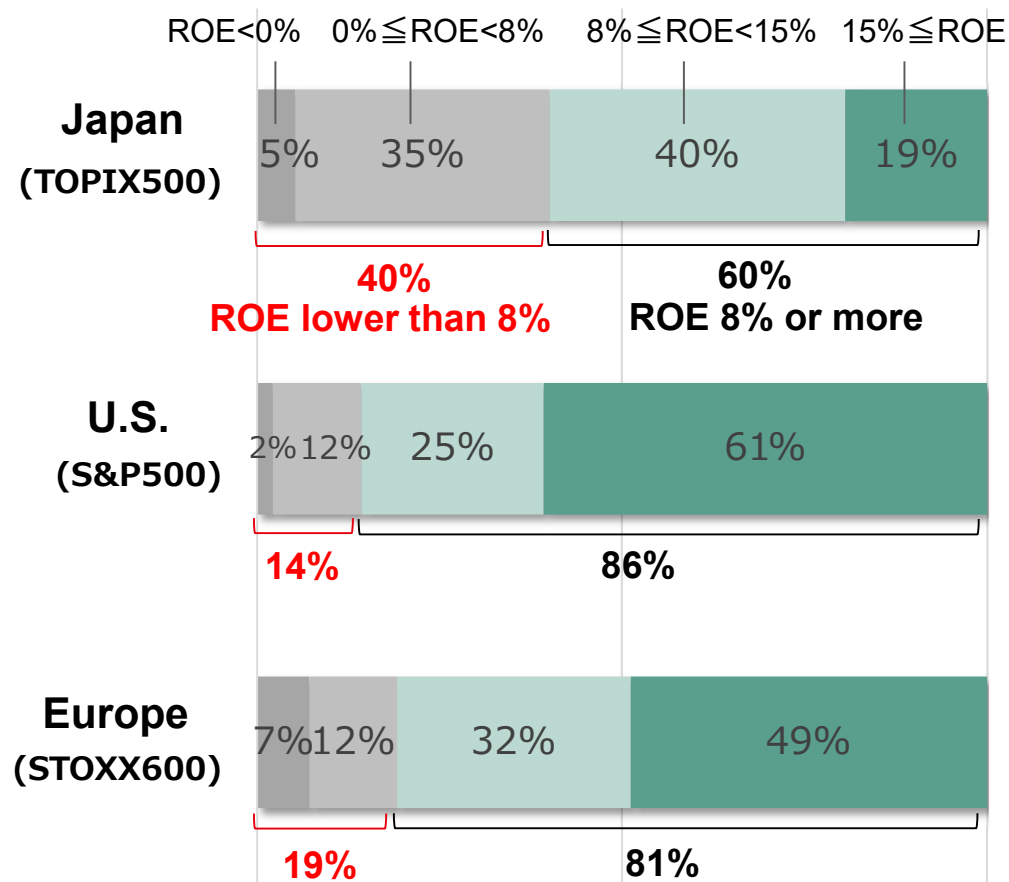
# 2. a) ROE (Return on Equity)

- 857 companies (47%) on the Prime Market and 912 companies (63%) on the Standard Market have ROE lower than 8%.
- The ratio of companies whose ROE is lower than 8% within major stock indices is 40% in Japan (TOPIX 500) compared to 14% in the U.S. (S&P 500) and 19% in Europe (STOXX 600).

### ROE Distribution by Market Segment



### Global Comparison of ROE (major companies)



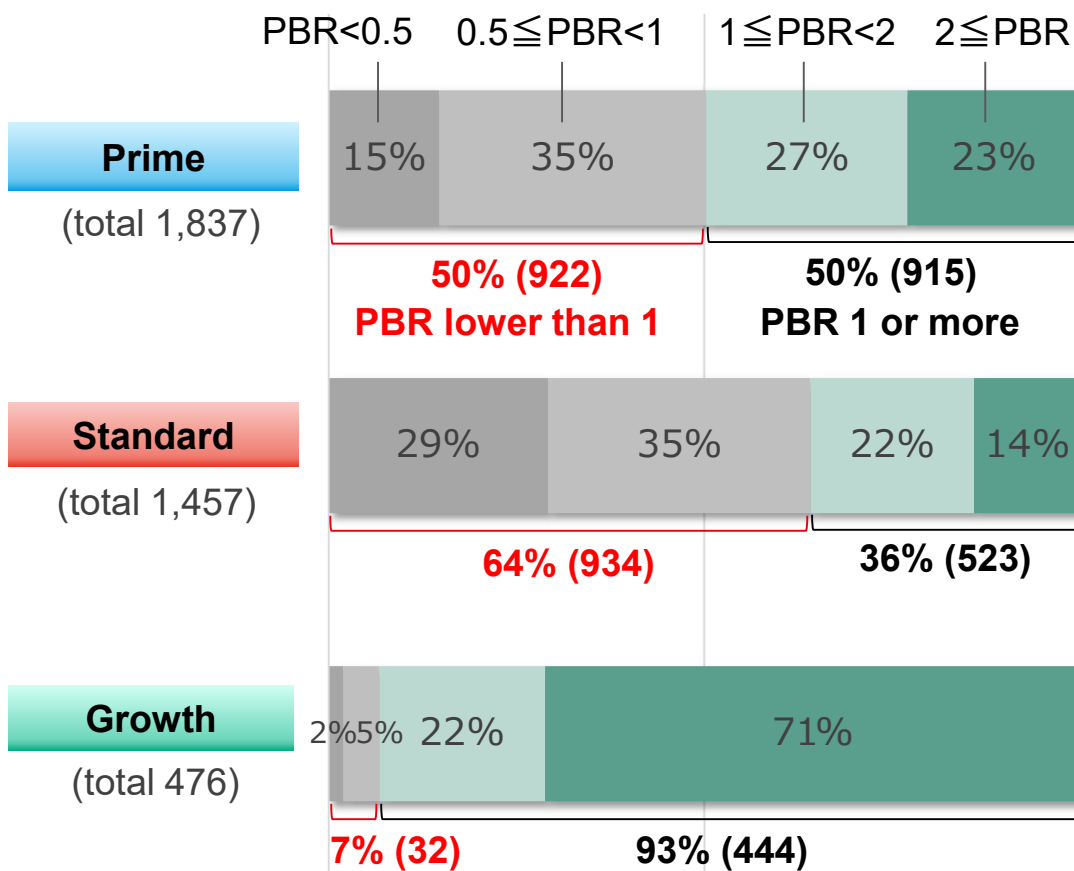
Note: Compiled by TSE based on QUICK data as of July 1, 2022 (excluding foreign companies).

Note: Compiled by TSE based on Bloomberg data as of July 1, 2022.

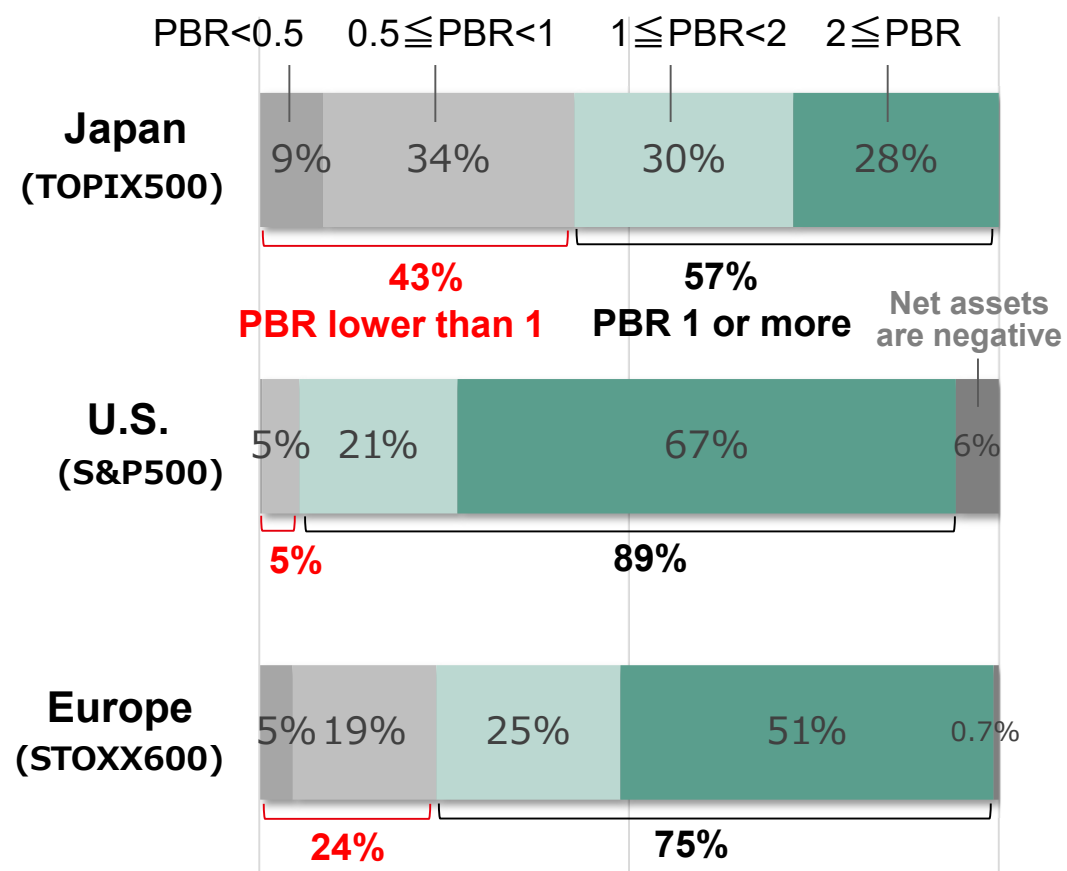
# 2. b) PBR (Price to Book Ratio)

- 922 companies (50%) on the Prime Market and 934 companies (64%) on the Standard Market have a PBR lower than 1.
- The ratio of companies whose PBR is lower than 1 within major stock indices is 43% in Japan (TOPIX 500) compared to 5% in the U.S. (S&P 500) and 24% in Europe (STOXX 600).

### PBR Distribution by Market Segment



### Global Comparison of PBR (major companies)



Note: Compiled by TSE based on QUICK data as of July 1, 2022 (excluding foreign companies).

Note: Compiled by TSE based on Bloomberg data as of July 1, 2022.

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# 3. a) Companies that Do Not Meet the Continued Listing Criteria

- 492 companies (across all segments) do not meet the continued listing criteria but have disclosed their plans to do so.
- Of the 549 companies that disclosed plans to meet the continued listing criteria, 57 companies have announced that they have exceeded the criteria, based on their own calculation.
- The end dates for the plans are concentrated in the two to four years after the transition to the new market segments, and 95% of companies plan to meet the criteria within five years.

## Number of Companies that Do Not Meet the Criteria

### Prime

Note: As of July 1, 2022

Tradable Share Market Cap (JPY 10 bil.) :	<b>217</b>
Tradable Share Ratio (35%) :	<b>36</b>
Trading Value (daily avg. JPY 20 mil.) :	<b>81</b>
<b>Total (excluding duplications) :</b>	<b>262</b>

Note: Among the 295 companies that disclosed their plans, 33 companies have announced that they have exceeded the criteria, based on their own calculation.

### Standard

Tradable Share Market Cap (JPY 1 bil.) :	<b>122</b>
Tradable Share Ratio (25%) :	<b>77</b>
# of Shareholders (400 shareholders) :	<b>11</b>
<b>Total (excluding duplications) :</b>	<b>191</b>

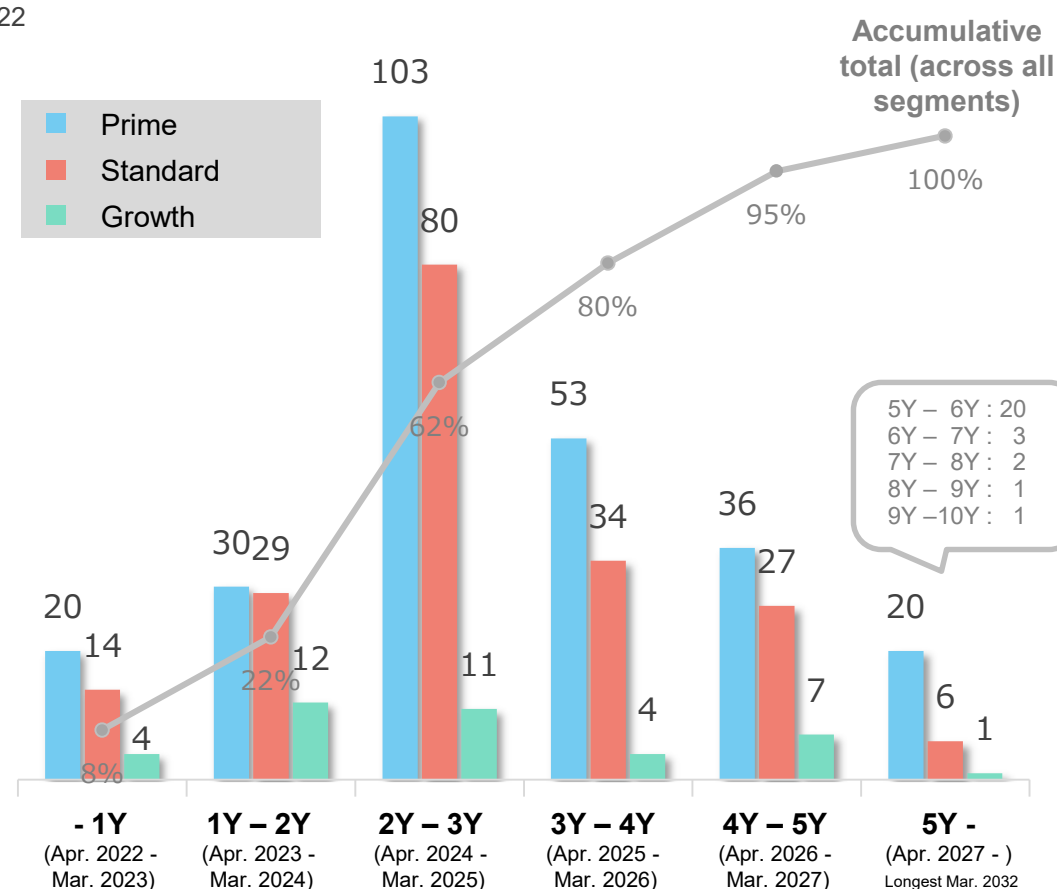
Note: Among the 209 companies that disclosed their plans, 18 companies have announced that they have exceeded the criteria, based on their own calculation.

### Growth

Tradable Share Market Cap (JPY 0.5 bil.) :	<b>2</b>
Tradable Share Ratio (25%) :	<b>20</b>
Market Cap. (JPY 4 bil. from 10 <sup>th</sup> yr. of IPO) :	<b>18</b>
<b>Total (excluding duplications) :</b>	<b>39</b>

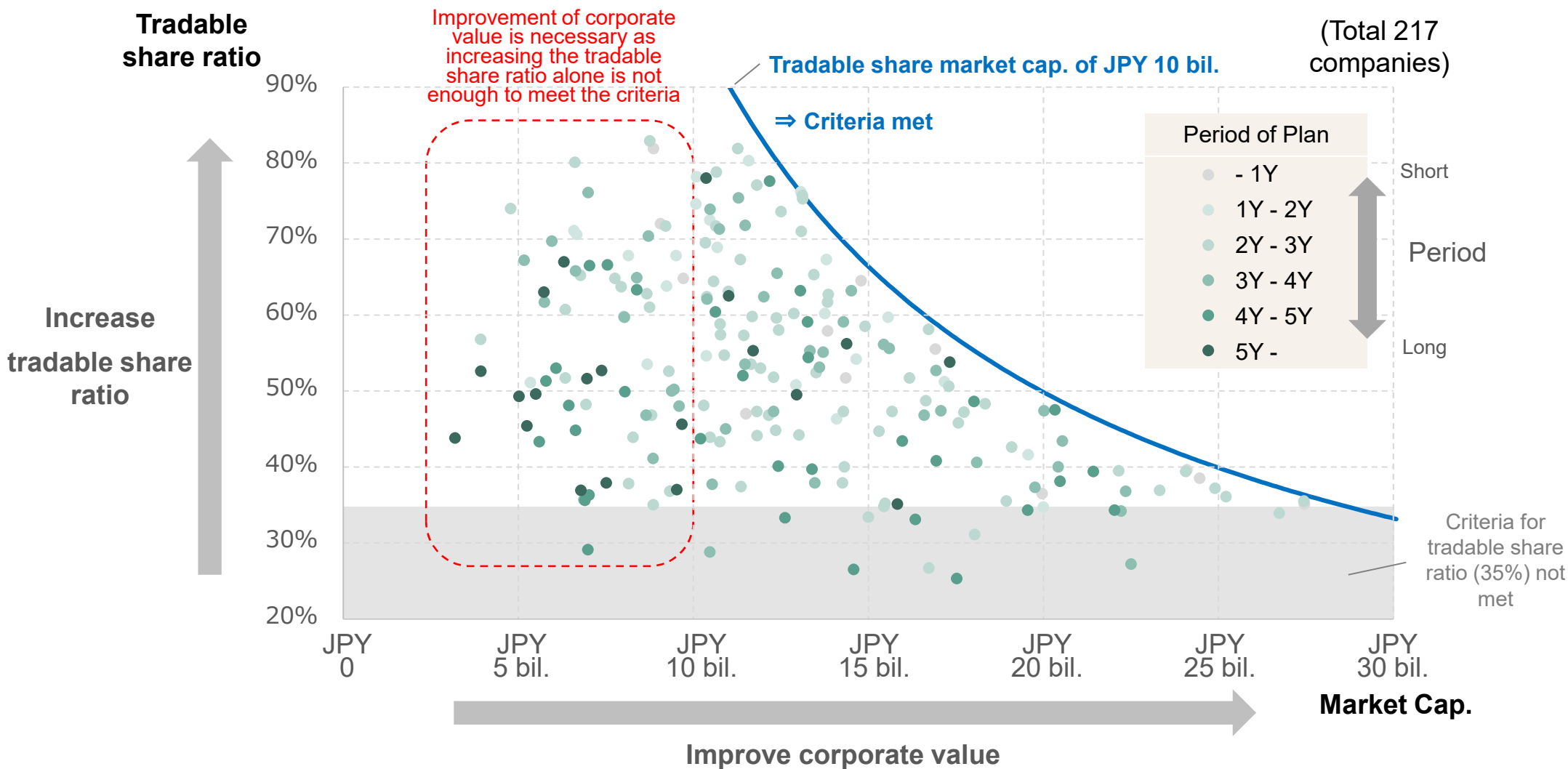
Note: Among the 45 companies that disclosed their plans, 6 companies have announced that they have exceeded the criteria, based on their own calculation.

## Distribution of Plan Lengths



Note: Plan length is counted from the date of transition to the new market segment. If multiple criteria are not met and different length plans are set for each, the longest length plan is used.

- While some companies can meet the criteria by increasing their tradable share ratio, many companies with smaller market capitalizations cannot and will need to increase their market capitalization.



Note: As of the reference date of transition (the end of June 2021)

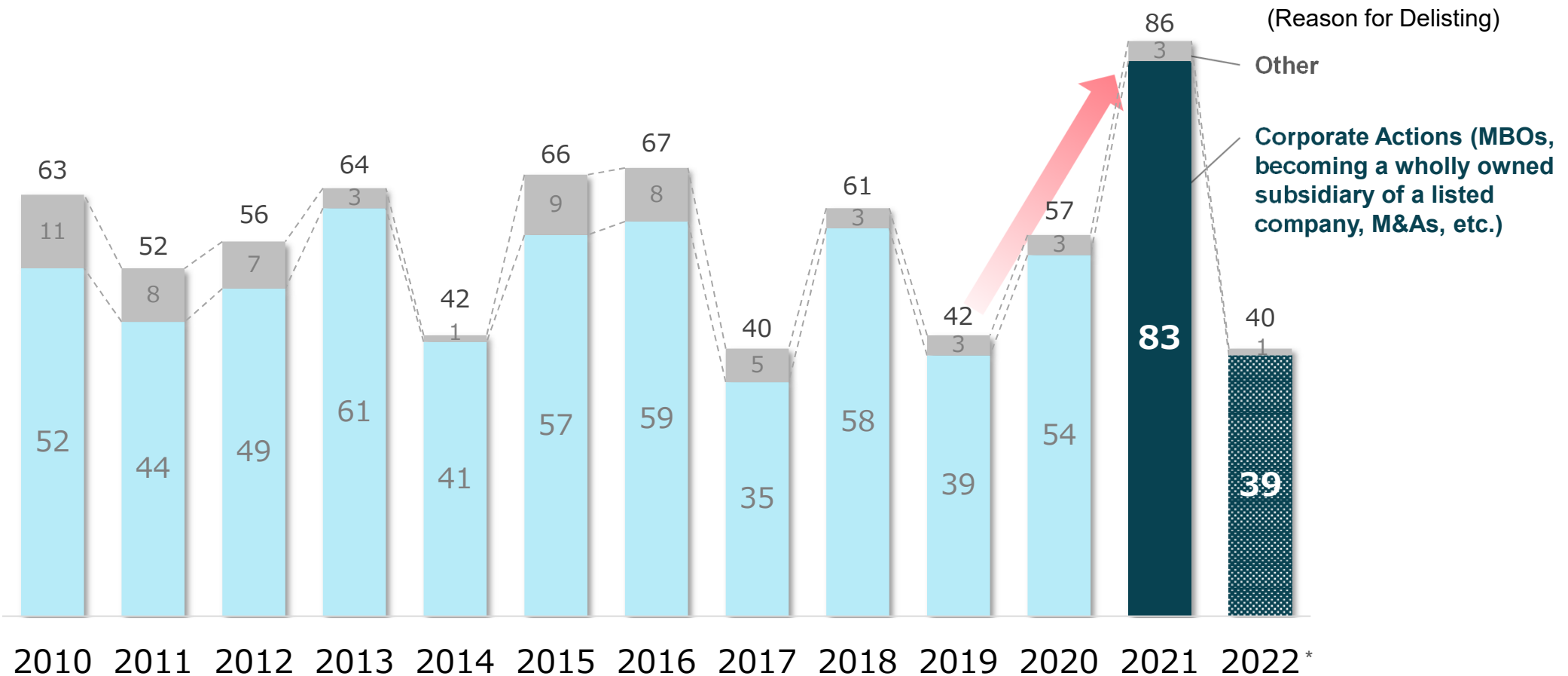
# 3. b) Efforts to Meet the Continued Listing Criteria

- For tradable share ratio, the most common efforts are sales by major shareholders, creating favorable environments for those sales, and sales or cancellation of treasury shares.
- For tradable share market capitalization and trading value, the most common efforts are steady implementation of business and growth strategies, improvement of profitability through business portfolio restructuring, and enhancement of shareholder returns, IR, and dissemination of information.

Criteria to Meet	Major Efforts
Tradable Share Ratio	<ul style="list-style-type: none"> <li>● Sales by major shareholders (founders, officers, parent companies, financial institutions, business corporations, etc.)</li> <li>● Dissolution of cross-shareholdings</li> <li>● Creation of a favorable environment to facilitate the preceding two items (increase in corporate value, improvement in liquidity, etc.)</li> <li>● Sales or cancellation of treasury shares</li> <li>● Issue of new shares and issue/exercise of stock options</li> </ul>
Tradable Share Market Cap./Trading Value	<ul style="list-style-type: none"> <li>● Implementation of business and growth strategies based on mid-term management plans, etc.</li> <li>● Business portfolio restructuring (new businesses, M&amp;As, exiting unprofitable businesses, etc.)</li> <li>● Increase of shareholder returns (increase in dividend payout ratio, stable dividends, share buybacks, etc.)</li> <li>● Enhancement of IR and dissemination of information (strengthened dialogue with investors, English disclosure, overseas IR, etc.)</li> <li>● Increase of tradable share ratio</li> </ul>

# Reference: Number of Delisted Companies

- Of the 86 companies delisted in 2021, 83 were delisted as a consequence of corporate actions such as MBOs, becoming a wholly owned subsidiary of a listed company, or M&As - a significant increase from 54 in 2020 and 39 in 2019.



\* As of the end of June

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## 4. a) Foreign Investors' Holding Ratio (Prime Market)

- Companies with high market capitalization have a high percentage of shares held by foreign investors, while companies with low market capitalization have a low percentage of shares held by foreign investors.

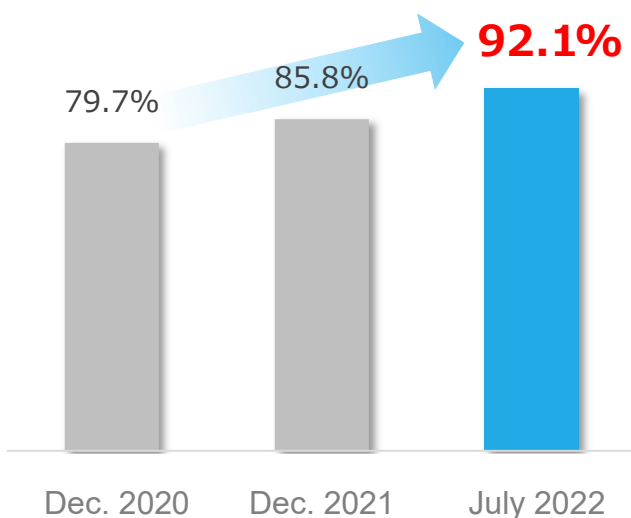


Note: Compiled by TSE based on Corporate Governance Reports as of Apr. 14, 2022 (excluding foreign companies).

# 4. b) Disclosure in English

- English disclosure practices are developing within the Prime Market as a result of the revisions to the Corporate Governance Code.
- However, some documents are not fully disclosed in English, and foreign investors have requested that further improvements be made to English disclosure practices and that information in English be disclosed sooner.

**Proportion of Companies Disclosing in English (Prime Market)**



**Proportion by Type of Document**

		English Disclosure Rate	Proportion by type of document					
			Earnings Reports (Kessan Tanshin)	Notice of Annual General Shareholders Meeting	IR Presentation	Timely Disclosure Documents (other than Earnings Reports)	Corporate Governance Report	Annual Securities Report
<b>Prime (total 1,837)</b>		<b>92.1%</b>	77.1%	76.1%	61.1%	38.7%	24.5%	13.3%
<b>Market Cap.</b>	<b>JPY 100 bil. or more (total 679)</b>	<b>98.4%</b>	<b>89.6%</b>	<b>89.9%</b>	<b>86.2%</b>	66.9%	49.1%	26.5%
	<b>JPY 25-100 bil. (total 695)</b>	<b>90.6%</b>	72.7%	75.0%	52.2%	26.3%	13.1%	7.2%
	<b>Less than JPY 25 bil. (total 463)</b>	<b>84.9%</b>	65.4%	57.5%	37.6%	15.8%	5.4%	3.2%

Source: TSE “Summary Report of the English Disclosure Implementation Status Survey (as of July 2022)”  
<https://www.jpx.co.jp/english/equities/listed-co/disclosure-gate/survey-reports/index.html>

Note: As of July 2022

Supplementary Principles  
3.1.2  
[Revised]

- Companies should, to the extent reasonable, take steps for providing English language disclosures.
- Companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

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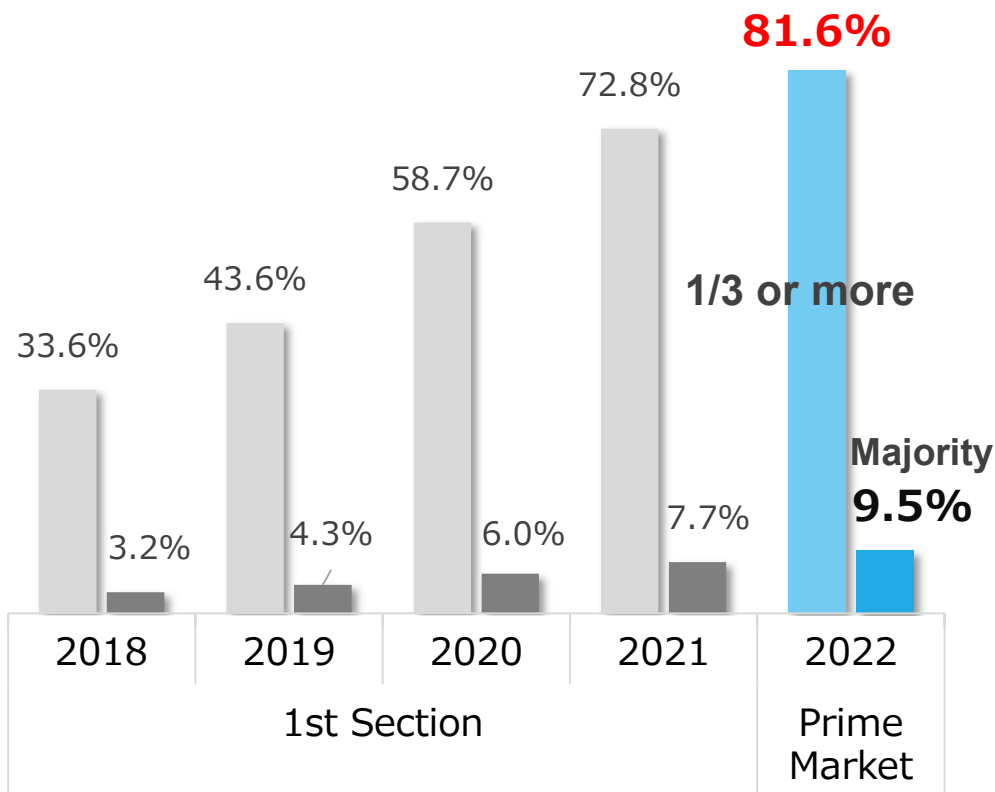
### Reference Materials



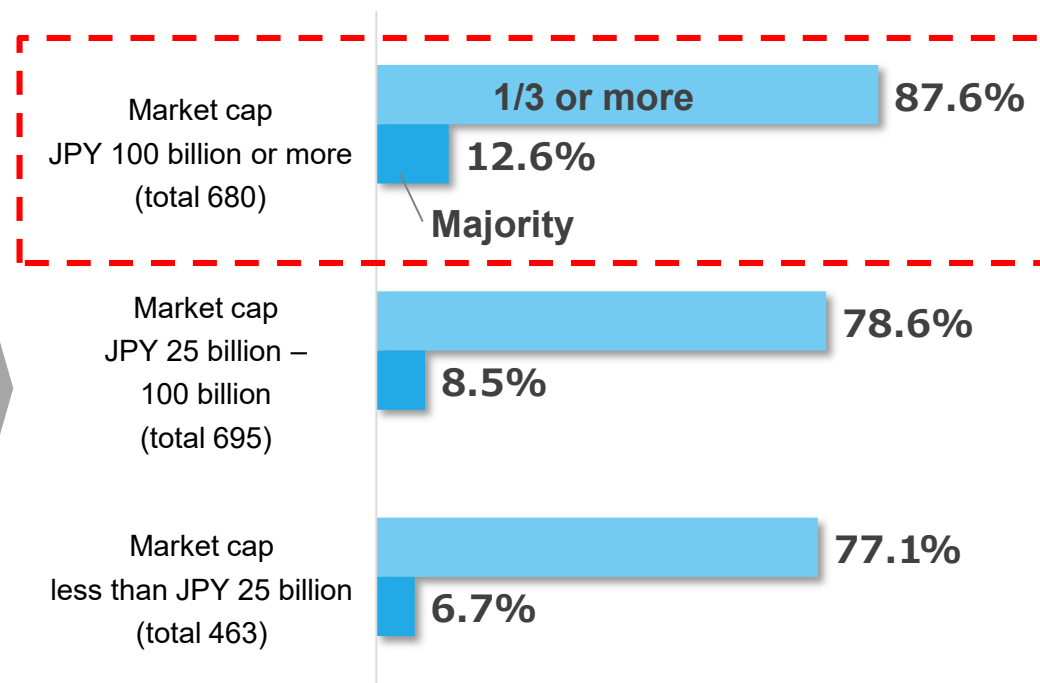
# 5. a) Proportion of Independent Directors

- The proportion of independent directors has been increasing year by year, with independent directors accounting for 1/3 or more of the director roles in 81.6% of companies listed on the Prime Market.
- At least 1/3 of all directors are independent directors in 87.6% of companies with market capitalization of JPY 100 billion or more.

Proportion of Independent Directors



Proportion by Market Cap (2022)



Note: Compiled by TSE based on Corporate Governance Reports as of the end of each year for 2018 through 2021, and as of Apr. 14 for 2022

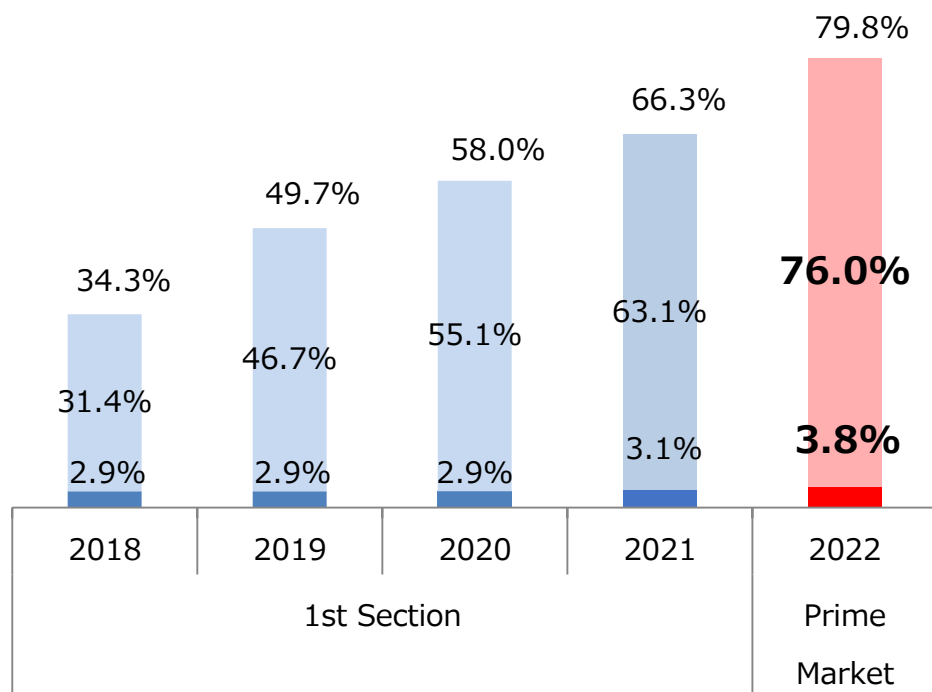
Principle 4.8  
[Revised]

Companies listed on Prime Market should appoint at least one-third independent directors, or majority where necessary (at least two independent directors, or at least one-third where necessary if listed on other markets).

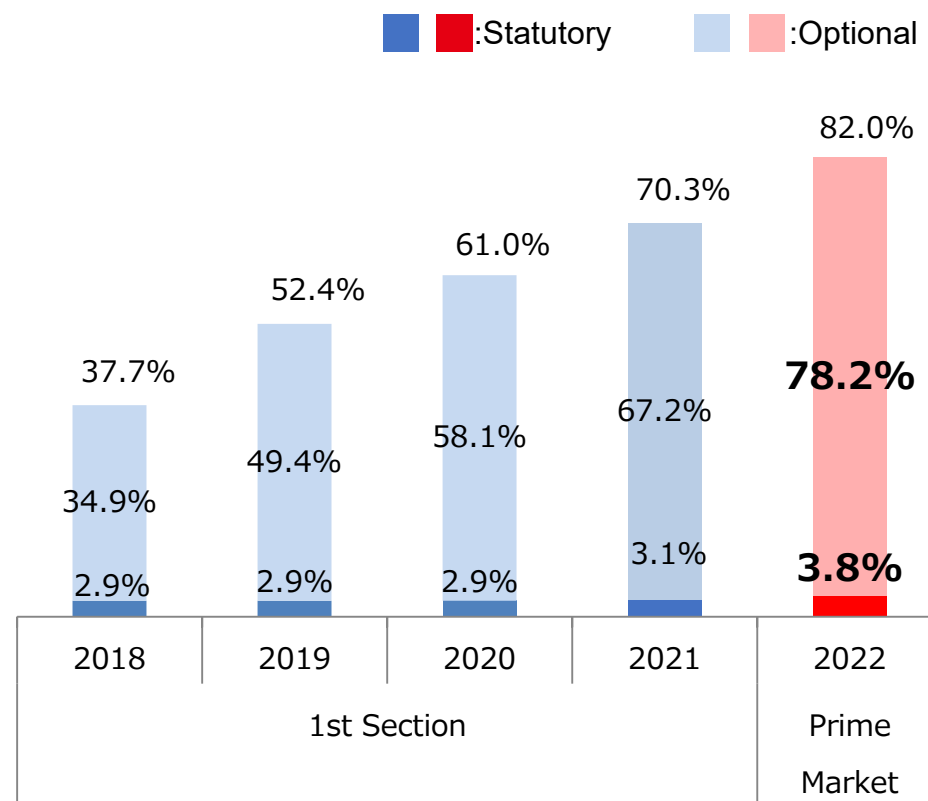
# 5. b) Nomination/Remuneration Committees

- Among companies on the Prime Market, 3.8% have established statutory Nomination/Remuneration Committees, and nearly 80% have established optional Nomination/Remuneration Committees.

## Companies with Nomination Committee



## Companies with Remuneration Committee



Note: For 2022, TSE compiled data on Corporate Governance Reports as of Apr. 14.

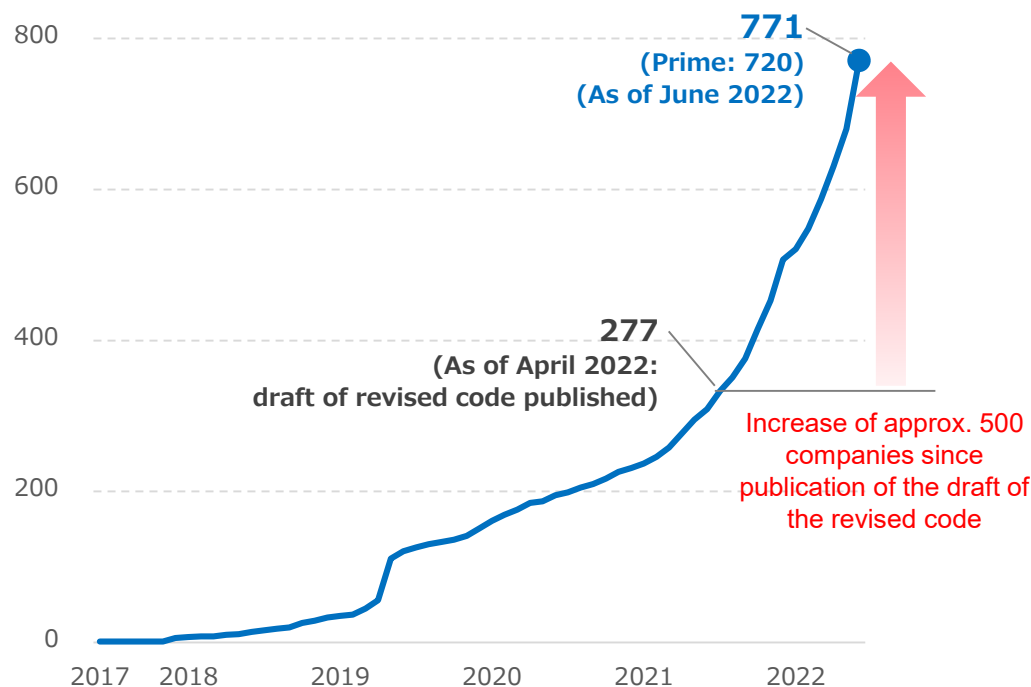
Supplementary Principle 4.10.1 [Revised]

Companies should establish an independent nomination committee and remuneration committee. (Companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose policies/mandates/roles of the committees.)

# 5. c) Listed Companies Supporting TCFD

- As a result of the revisions to the Corporate Governance Code, the number of listed companies that have declared support for TCFD has increased, especially in the Prime Market.
- 66% of companies with market capitalization of JPY 100 billion or more in the Prime Market support TCFD.

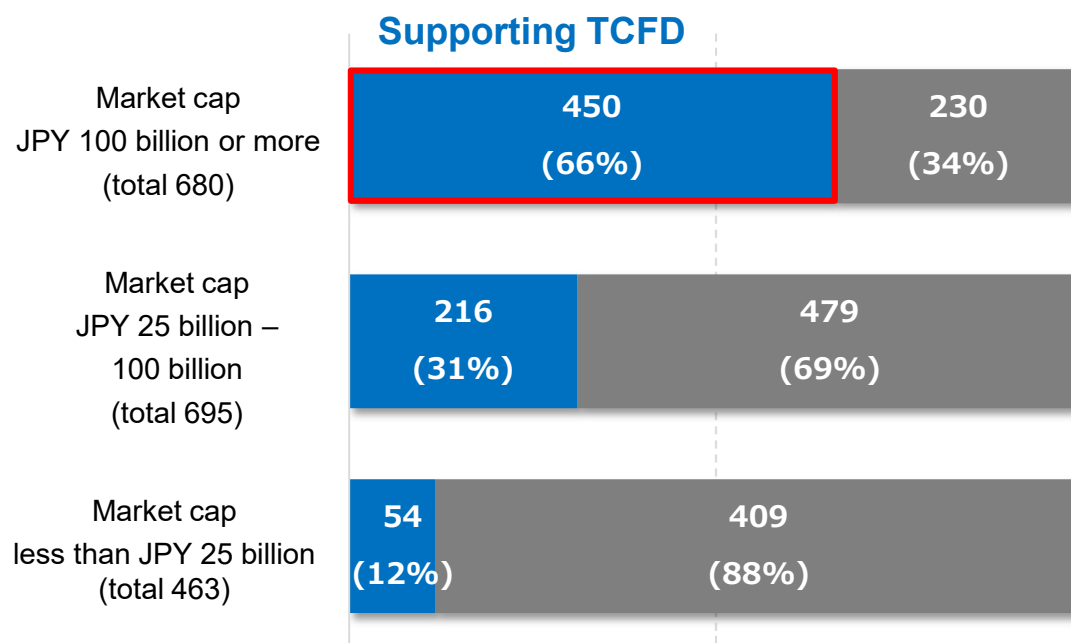
### Number of TSE-listed Companies Supporting TCFD



Source: Compiled by TSE based on TCFD website

### Support from Prime Market Listed Companies

Note: As of June 2022



Supplementary Principles  
3.1.3  
[New]

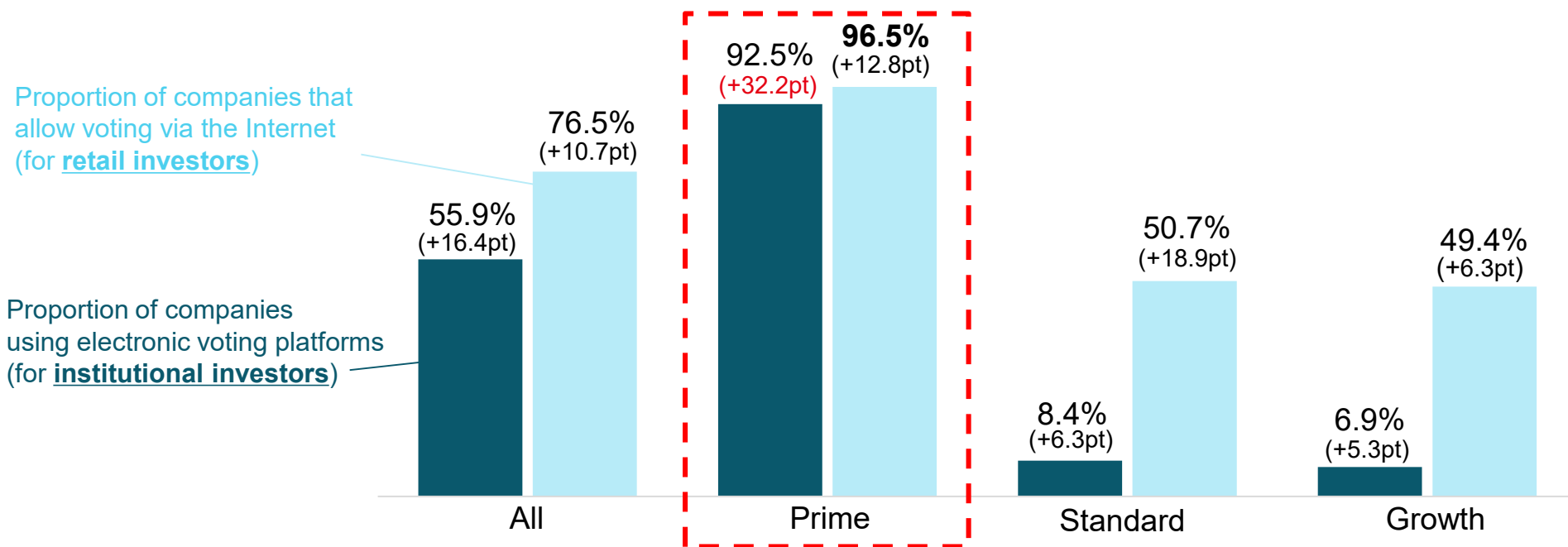
- Companies should appropriately disclose their initiatives on sustainability/ investments in human capital and intellectual properties.
- Companies listed on the Prime Market should enhance the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent.

# 5. d) Use of Electronic Voting

- Among companies on the Prime Market, there has been a significant increase in the number of institutional investors using electronic voting platforms.
- More companies are also allowing retail investors to exercise their voting rights via the Internet.

## Status of Electronic Voting

(Compared to last year)



Source: TSE “Scheduled Dates for Annual General Shareholders Meetings of TSE Listed Companies”

Note: Changes from last year for the Prime Market, Standard Market, and Growth Market are compared to the 1st Section, the sum of the 2nd section and JASDAQ Standard, and the sum of Mothers and JASDAQ Growth in last year’s survey.

Note: The survey covered 2,301 TSE-listed companies with fiscal years ending in March, and there were 1,771 respondents (1,004 Prime Market, 680 Standard Market, and 87 Growth Market companies).

Supplementary Principles  
1.2.4  
[New]

- Companies should take steps for the creation of an infrastructure allowing electronic voting, and the provision of English translations of the convening notices of general shareholder meetings.
- Companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

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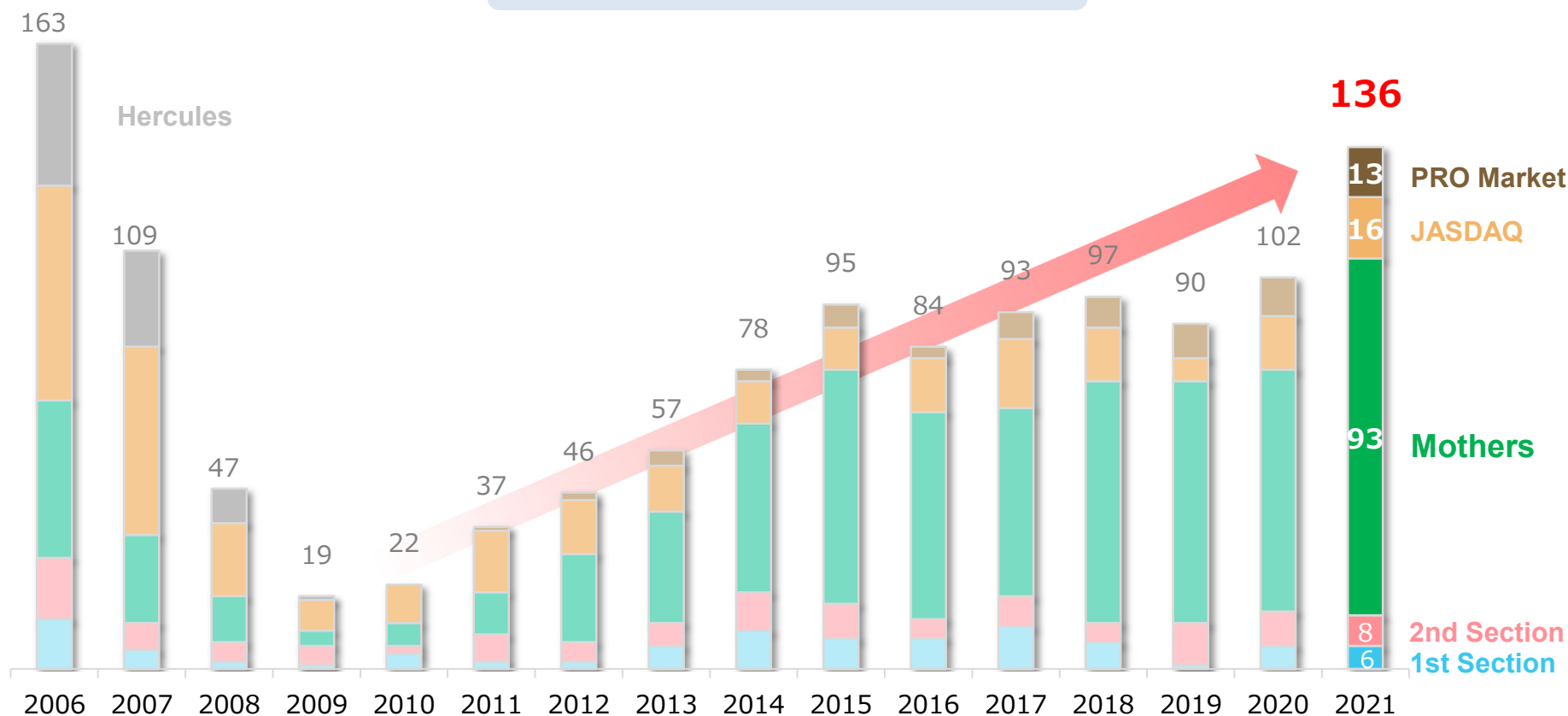




# 6. a) Number of IPOs

- The number of IPOs has gradually recovered from the post-financial crisis slump, with around 100 IPOs each year in recent years.
- By division, Mothers accounted for about 70% in 2021, and IPOs are expected to be mainly in the Growth Market even after the transition.

Number of IPOs in Japan

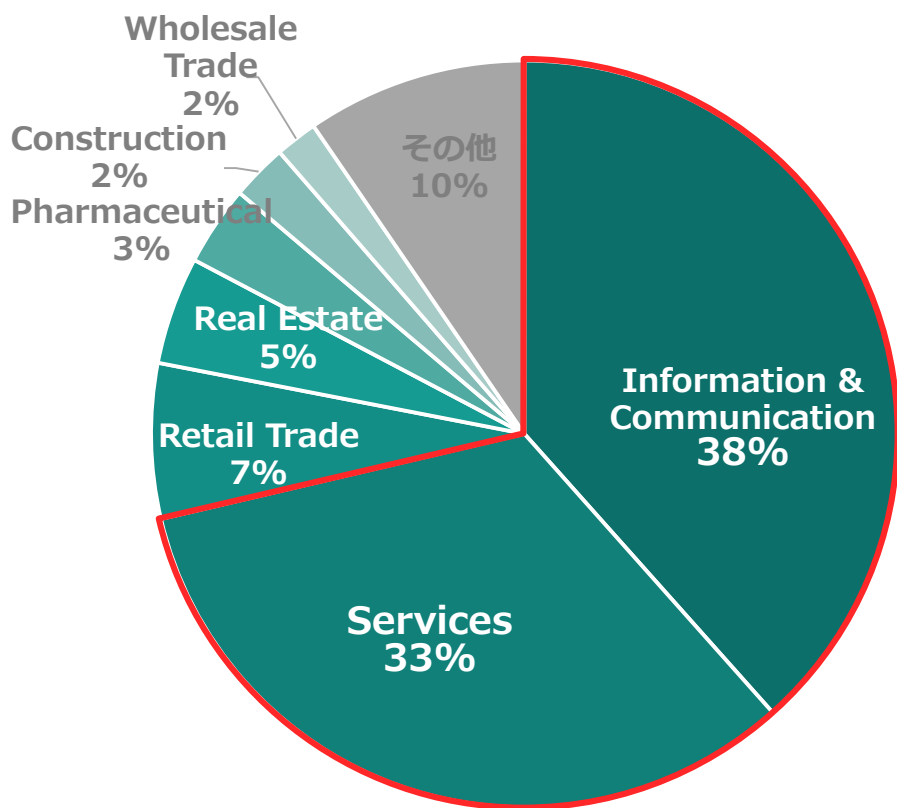


Note: Includes initial listings on TOKYO PRO Market while excludes technical listings and listings via TOKYO PRO Market.

# 6. b) i) Current Status of IPOs (Industry/Size)

- IPO company industries are heavily weighted toward the “Information & Communication” and “Services” industries.
- These tend to raise smaller amounts of capital and have smaller market capitalizations at the time of listing compared to those in the U.S.

## Industries of Mothers IPO Companies



Information & Communication and Services industries account for about 70%

Note: Companies listed between 2013 and 2021

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

(billion yen)

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

Small in scale compared to the U.S. Source: University of Florida Prof. Jay Ritter "Initial Public Offerings: Underpricing"

## Mothers IPOs with Market Cap. of JPY 100 billion or more (2017 onwards)

(billion yen)

Listing Date	Issue Name	Industry	Amount of Capital Raised at IPO	Market Cap. at IPO
June 2018	Mercari, Inc.	Information & Communication	54.5	406.0
July 2018	MTG Co., Ltd.	Other Products	29.3	224.1
Apr. 2021	Visional, Inc.	Information & Communication	10.6	178.0
Mar. 2021	Appier Group, Inc.	Information & Communication	14.6	159.8
June 2019	Sansan, Inc.	Information & Communication	2.3	134.7
Sep. 2021	Safie Inc.	Information & Communication	8.0	119.4

Note: Market capitalization is calculated based on public offering price

## 6. b) ii) Current Status of IPOs (Regional/Cross-border)

- IPO companies are concentrated in Tokyo.
- A certain number of cross-border IPOs are conducted each year by foreign companies and other companies with connections overseas.

### Number of IPOs by Region

Head Office Location	Number of IPOs per year	Reference: Number of listed companies
<b>Tokyo</b>	<b>89 (65%)</b>	<b>2,083 (55%)</b>
<b>Outside Tokyo</b>	<b>47 (35%)</b>	<b>1,733 (45%)</b>
Hokkaido, Tohoku	1	83
Kanto (excluding Tokyo)	11	356
Chubu	11	410
Kansai	17	648
Chugoku, Shikoku	2	129
Kyushu, Okinawa	5	107
<b>Total</b>	<b>136</b>	<b>3,816</b>

Note: The number of IPOs per year is as of 2021, and the number of listed companies is as of April 4, 2022 (both include companies listed on TOKYO PRO Market).

### IPOs of Cross-border Companies

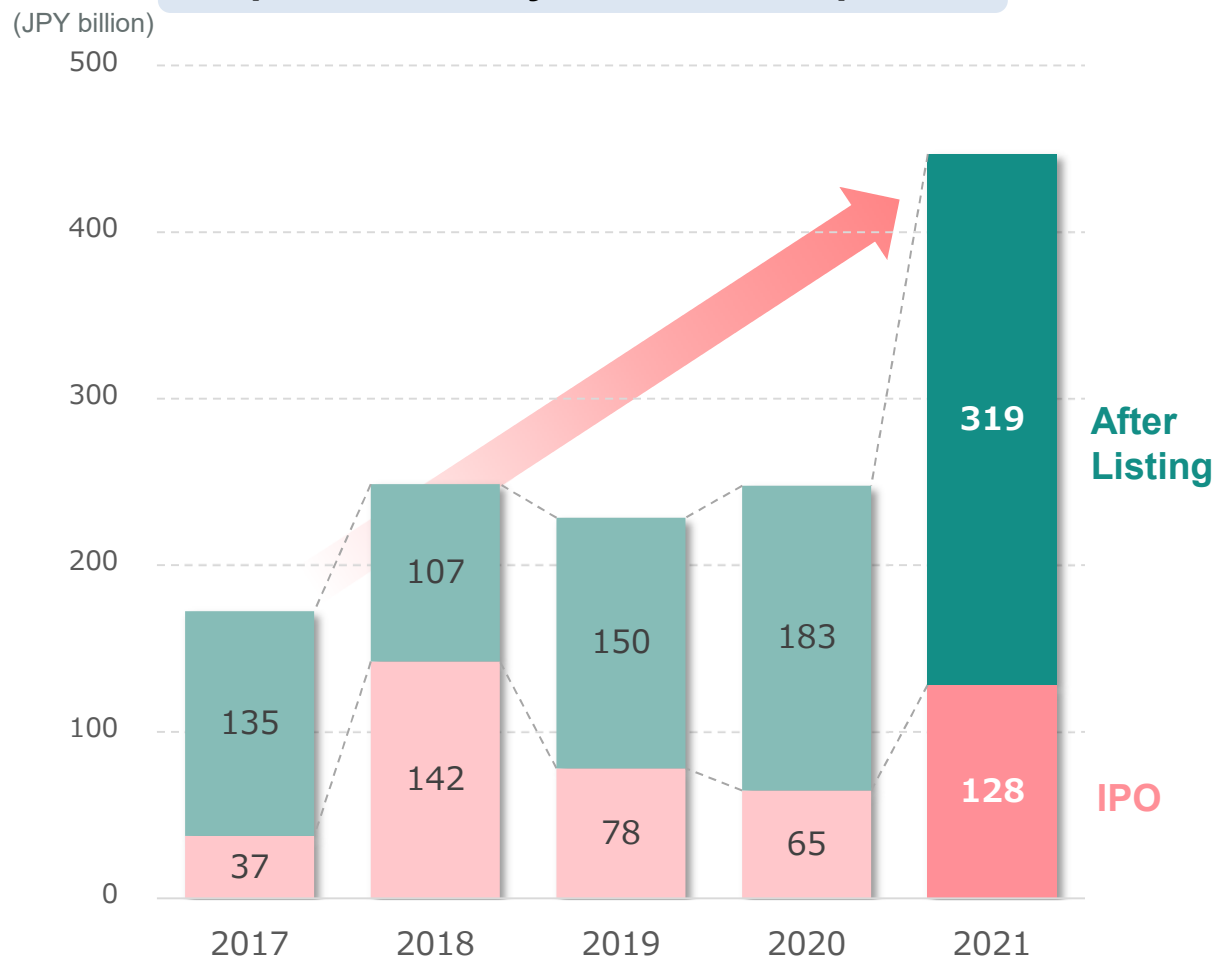
Year	Cross-border Companies
2011	<ul style="list-style-type: none"> <li>● NEXON Co., Ltd. (KR)</li> <li>● W-SCOPE Corporation (KR)</li> </ul>
2014	<ul style="list-style-type: none"> <li>● Acucela Inc. (US)</li> </ul>
2015	<ul style="list-style-type: none"> <li>● SanBio Company Limited (US)</li> <li>● RS Technologies Co.,Ltd. (CN)</li> </ul>
2016	<ul style="list-style-type: none"> <li>● Silver Egg Technology CO.,Ltd. (US)</li> <li>● LINE Corporation (KR)</li> </ul>
2017	<ul style="list-style-type: none"> <li>● Techpoint, Inc. (US)</li> <li>● HANATOUR JAPAN CO.,LTD. (KR)</li> </ul>
2018	<ul style="list-style-type: none"> <li>● Kudan Inc. (GB)</li> </ul>
2019	<ul style="list-style-type: none"> <li>● WA, Inc. (CN)</li> </ul>
2020	<ul style="list-style-type: none"> <li>● Modalis Therapeutics Corporation (US)</li> <li>● Kaizen Platform, Inc. (US)</li> </ul>
2021	<ul style="list-style-type: none"> <li>● OMNI-PLUS SYSTEM LIMITED (SG)</li> <li>● YCP Holdings (Global) Limited (SG)</li> <li>● Appier Group, Inc. (TW)</li> <li>● AXXZIA Inc. (CN)</li> <li>● Hybrid Technologies Co., Ltd. (VN)</li> </ul>

Note: Cross-border companies include (1) Foreign companies, (2) Japanese companies with foreign management, (3) Inversion companies (from foreign to Japanese), and (4) Japanese subsidiaries of foreign companies.

# 6. c) Capital Raised by Mothers Listed Companies

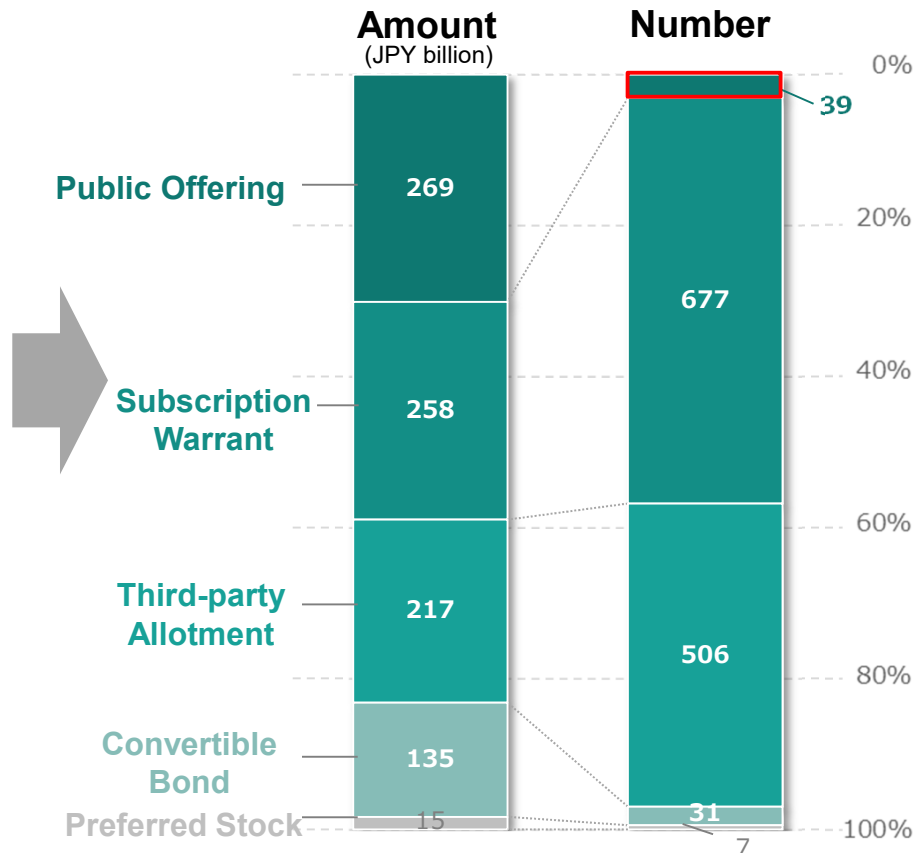
- Capital raised by Mothers listed companies has been increasing in recent years.
- The amount of capital raised after listing has been increasing, but very few companies raised capital on a large scale through public offerings.

### Capital Raised by Mothers Companies



### Capital Raised after Listing by Mothers Companies

(other than IPOs, 2017-2021 total)



# Reference: Large Scale Capital Raised by Mothers Listed Companies

## Capital Raised of JPY 10 Billion or More (Excluding IPOs) by Mothers Companies from 2017 to 2021

Issue Name	Code	Date	Type	Amount of Capital Raised (JPY billion)	Remarks
freee K.K.	4478	Apr. 2021	Public Offering ( <b>Overseas</b> )	36.8	
Japan Asset Marketing Co.,Ltd.	8922	Nov. 2017	Third-party Allotment	31.9	Allocation to Don Quijote Holdings Co.,Ltd.
Sosei Group Corporation	4565	July 2021	Convertible Bond ( <b>Overseas</b> )	30.0	
Mercari,Inc.	4385	July 2021	Convertible Bond ( <b>Overseas</b> )	25.0	
Mercari,Inc.	4385	July 2021	Convertible Bond ( <b>Overseas</b> )	25.0	
Sosei Group Corporation	4565	Nov. 2017	Public Offering ( <b>Overseas</b> )	22.4	
TKP Corporation	3479	Oct. 2019	Public Offering ( <b>Domestic/Overseas</b> )	21.8	
PKSHA Technology Inc.	3993	July 2019	Public Offering ( <b>Domestic/Overseas</b> )	20.9	
AnGes,Inc.	4563	2021	Exercise of Subscription Warrant	17.5	MS Warrant
Sosei Group Corporation	4565	July 2020	Convertible Bond ( <b>Overseas</b> )	16.0	
Japan Investment Adviser Co.,Ltd.	7172	June 2018	Public Offering (Domestic)	13.1	
BASE,Inc.	4477	Oct. 2020	Public Offering ( <b>Overseas</b> )	13.0	Accelerated Book Building (ABB)
AnGes,Inc.	4563	2020	Exercise of Subscription Warrant	11.5	MS Warrant
JMDC Inc.	4483	Nov. 2020	Public Offering ( <b>Overseas</b> )	11.2	Accelerated Book Building (ABB)
AnGes,Inc.	4563	Dec. 2020	Third-party Allotment	11.1	Allocation to the company's subsidiary established for the purpose of acquisition
GAtechnologies Co.,Ltd.	3491	Jan. 2021	Public Offering (Domestic)	11.1	
SanBio Company Limited	4592	2018	Exercise of Subscription Warrant	11.1	MS Warrant
LIFENET INSURANCE COMPANY	7157	Sep. 2021	Public Offering ( <b>Overseas</b> )	10.2	
Japan Asset Marketing Co.,Ltd.	8922	2017	Exercise of Subscription Warrant	10.0	

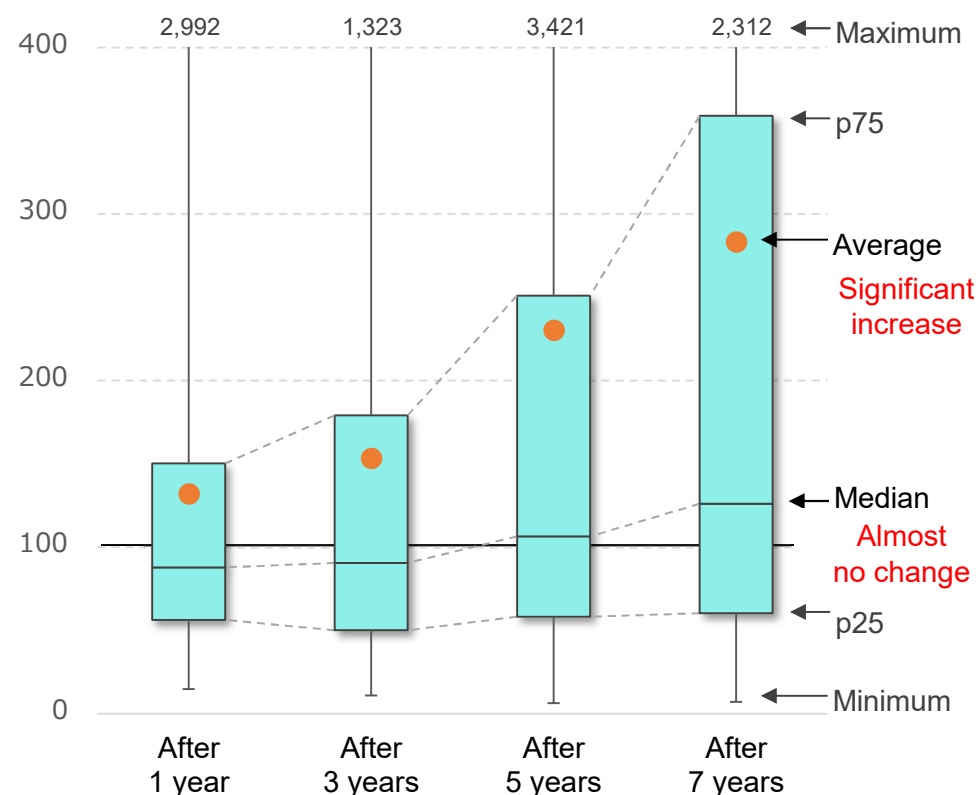
Large projects often involve overseas investors.

# 6. d) Growth of Mothers Listed Companies

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

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

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



Note:

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

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

#	Code	Issue Name	Listing Date	Market Segment	Sector	Market Cap. at the End of Listing Month (JPY billion)	Latest Market Cap. (JPY billion)	Change Rate
1	3186	NEXTAGE Co.,Ltd.	2013/7	Prime	Retail Trade	5.8	188.1	32.6x
2	6532	BayCurrent Consulting,Inc.	2016/9	Prime	Services	25.8	561.0	21.7x
3	3697	SHIFT Inc.	2014/11	Prime	Info. & Communication	19.4	314.5	16.2x
4	7816	Snow Peak,Inc.	2014/12	Prime	Other Products	7.1	103.5	14.7x
5	3923	RAKUS Co.,Ltd.	2015/12	Prime	Info. & Communication	21.0	289.8	13.8x
6	6544	JAPAN ELEVATOR SERVICE HOLDINGS CO.,LTD.	2017/3	Prime	Services	10.8	125.3	11.6x
7	3962	CHANGE Inc.	2016/9	Prime	Info. & Communication	14.2	156.5	11.1x
8	6080	M&A Capital Partners Co.,Ltd.	2013/11	Prime	Services	13.2	113.1	8.6x
9	2931	Euglena Co.,Ltd.	2012/12	Prime	Foods	15.1	104.4	6.9x
10	9517	eREX Co.,Ltd.	2014/12	Prime	Electric Power & Gas	20.2	130.3	6.5x
11	9519	RENOVA,Inc.	2017/2	Prime	Electric Power & Gas	38.9	193.3	5.0x
12	6619	W-SCOPE Corporation	2011/12	Prime	Electric Appliances	25.4	123.8	4.9x
13	3994	Money Forward,Inc.	2017/9	Prime	Info. & Communication	56.4	181.4	3.2x
14	9418	USEN-NEXT HOLDINGS Co.,Ltd.	2014/12	Prime	Info. & Communication	37.5	116.6	3.1x
15	4587	PeptiDream Inc.	2013/6	Prime	Pharmaceutical	92.7	184.9	2.0x
16	4485	JTOWER Inc.	2019/12	Growth	Info. & Communication	86.9	147.5	1.7x

Note: Companies listed on Mothers since 2010 with a market capitalization of less than JPY 100 billion as of the end of the listing month and a market capitalization of JPY 100 billion or more as of July 1, 2022

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

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



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## General Topics

- The purpose of the market restructuring is to provide an attractive market for investors by redesigning the concept and listing criteria for each market segment in order to support listed companies in achieving sustainable growth and medium- to long-term improvement of corporate value.
  - In general, what should be the subject matter and methods for following up in this Council, and what efforts should be made to ensure that the restructure is effective?

## Detailed Topics

### **(Prime Market)**

- The Prime Market is for companies that commit to medium- to long-term improvement of corporate value, putting constructive dialogue with investors at the center. The listing criteria and the Corporate Governance Code require companies to ensure ample liquidity for investment by a variety of institutional investors, higher levels of governance, and enhanced English and sustainability disclosure.
  - What should be considered for following up on the Prime Market?
    - For example, should following-up be conducted in terms of motivating listed companies to make efforts to improve their corporate value, promoting dialogue with investors, and the like? In addition, since the market capitalization of listed companies is widely distributed even within the Prime Market, should we look at following up in different ways depending on the size of the company?

## (Standard Market)

- The Standard Market is for companies that have appropriate levels of liquidity to be investment instruments, keep a basic level of corporate governance, and commit to medium- to long-term improvement of corporate value in a way that is appropriate for them.
  - What should be considered for following up on the Standard Market?
    - For example, should follow-up be conducted in terms of motivating listed companies to make efforts to improve their corporate value, functioning as an IPO market, and the like?

## (Growth Market)

- The Growth Market is for companies that have a certain level of market value because they have disclosed their business plans for realizing a high growth potential and the progression of these plans appropriately, but that also pose a relatively high investment risk in terms of their business track record.
  - What should be considered for following up on the Growth Market?
    - For example, should follow-up be conducted in terms of functioning as an IPO market, realizing high growth potential after listing, and the like?

## (Transitional Measures)

- In the new market segments, if a listed company does not meet the continued listing criteria, relaxed continued listing criteria will be applied as a transitional measure “for the time being”, as long as the company makes efforts to improve with the submission of a plan to meet the continued listing criteria and reports on its progress.
  - In terms of appropriately realizing the concept of each market segment by encouraging companies to meet the continued listing criteria, how should the transitional measures in effect "for the time being" be handled?

## (Other)

- In addition to the follow-up measures previously mentioned, from a longer-term perspective, will any listing criteria or other listing rules require review or discussion in the future?

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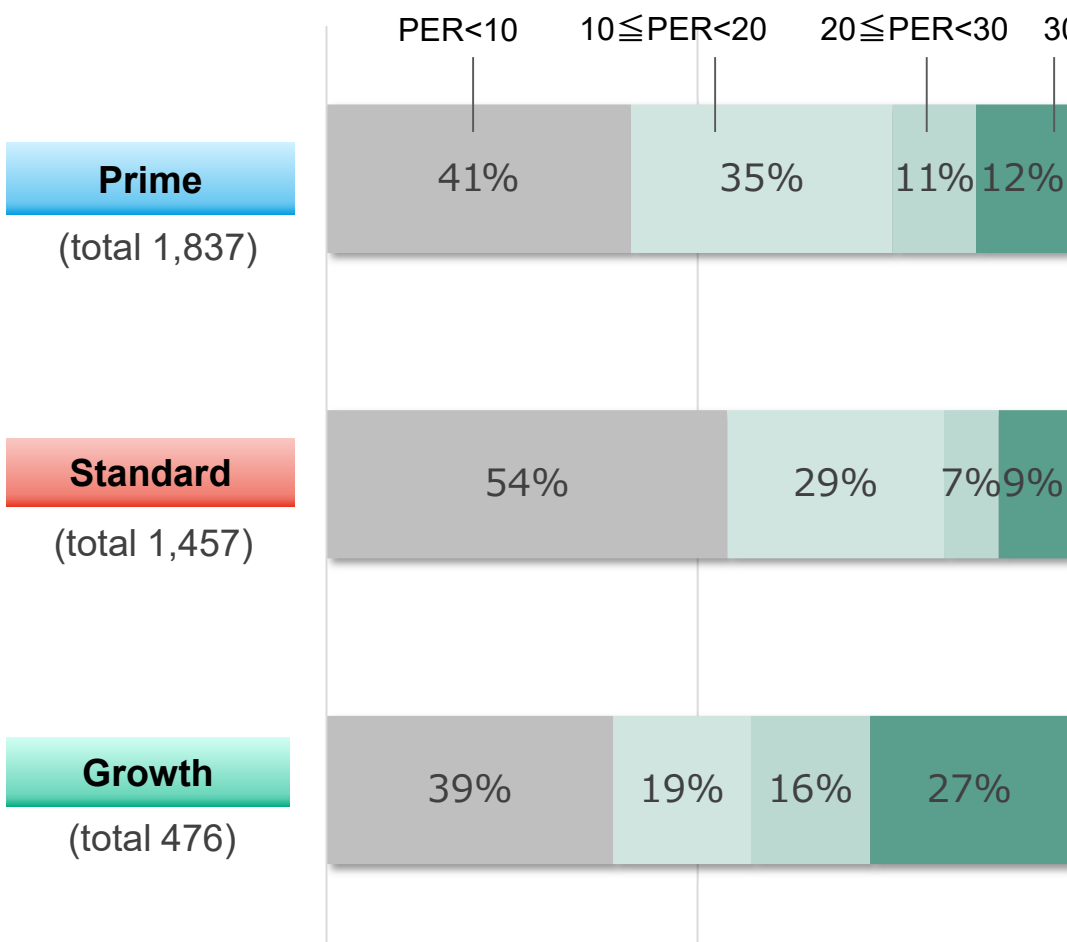
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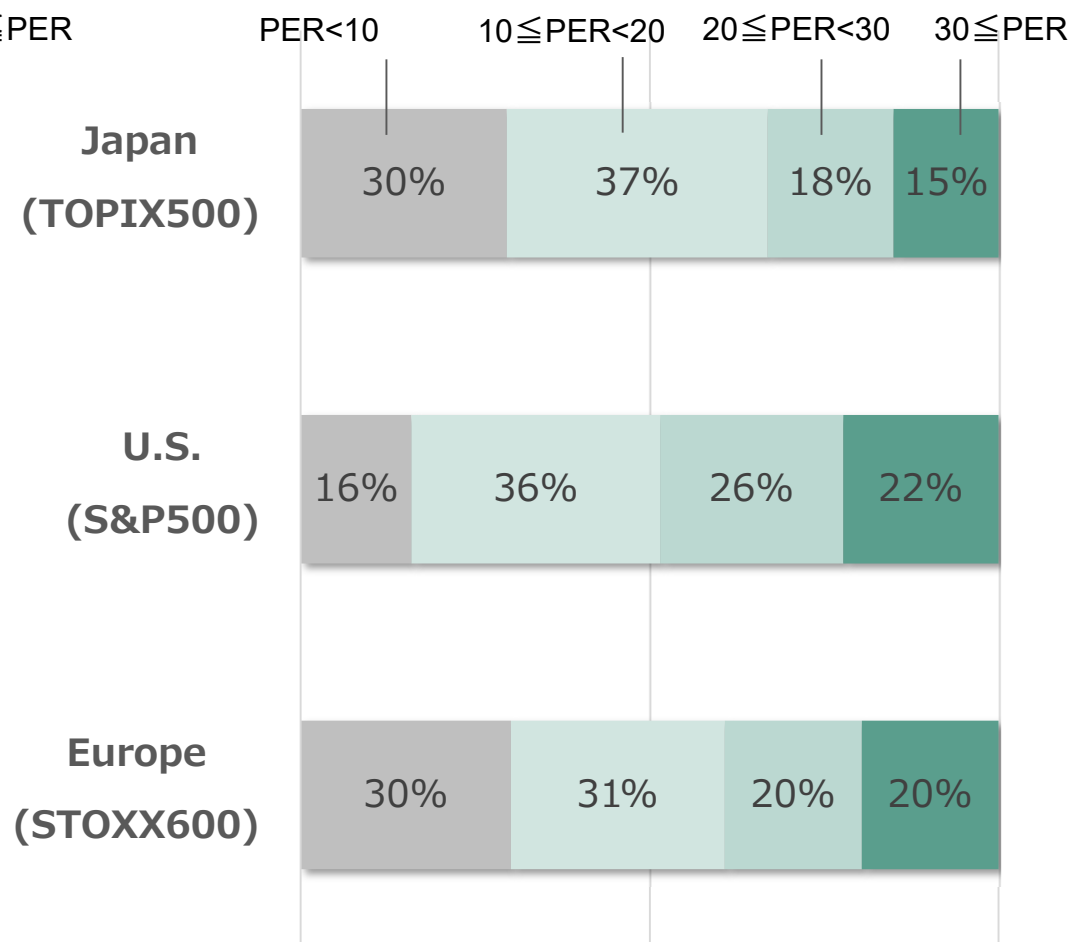


# PER (Price Earnings Ratio)

## PER Distribution by Market Segment



## Global Comparison of PER (major companies)

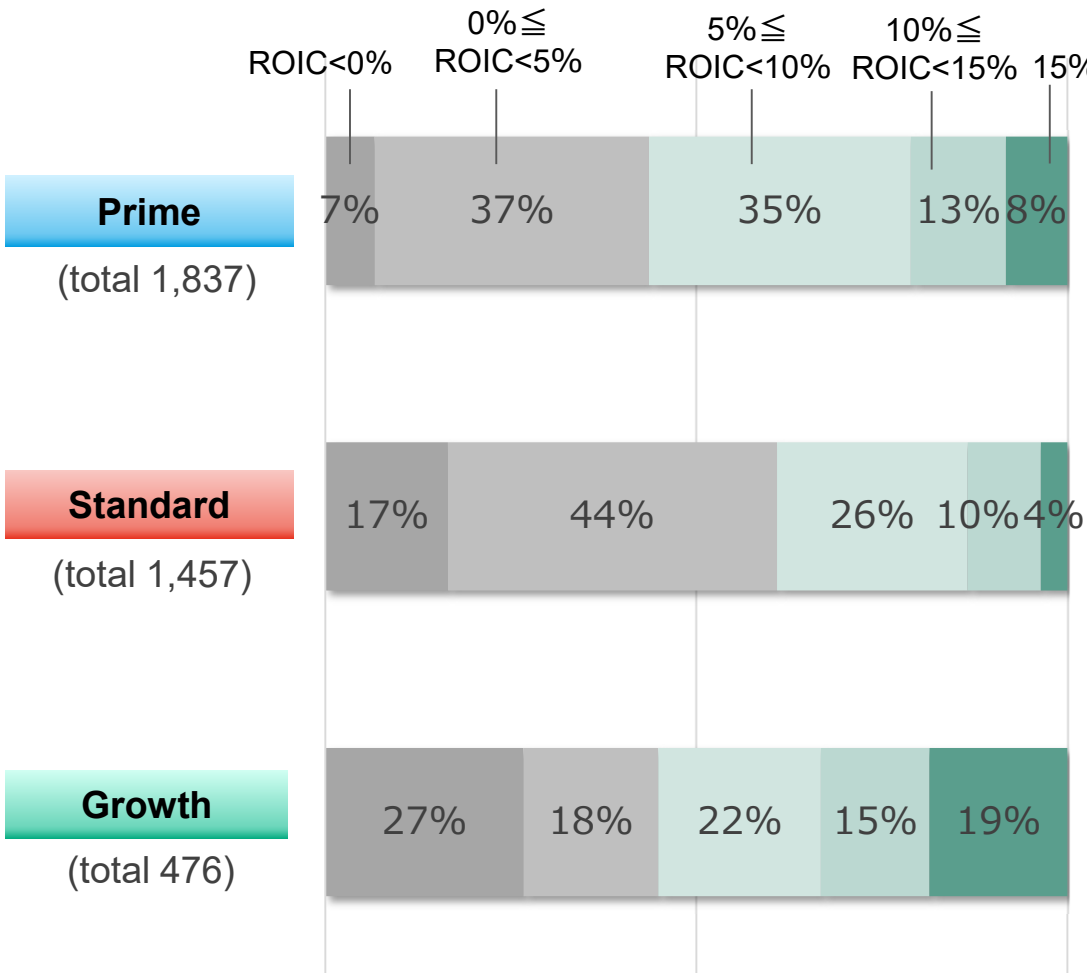


Note: Compiled by TSE based on QUICK data as of July 1, 2022 (excluding foreign companies).

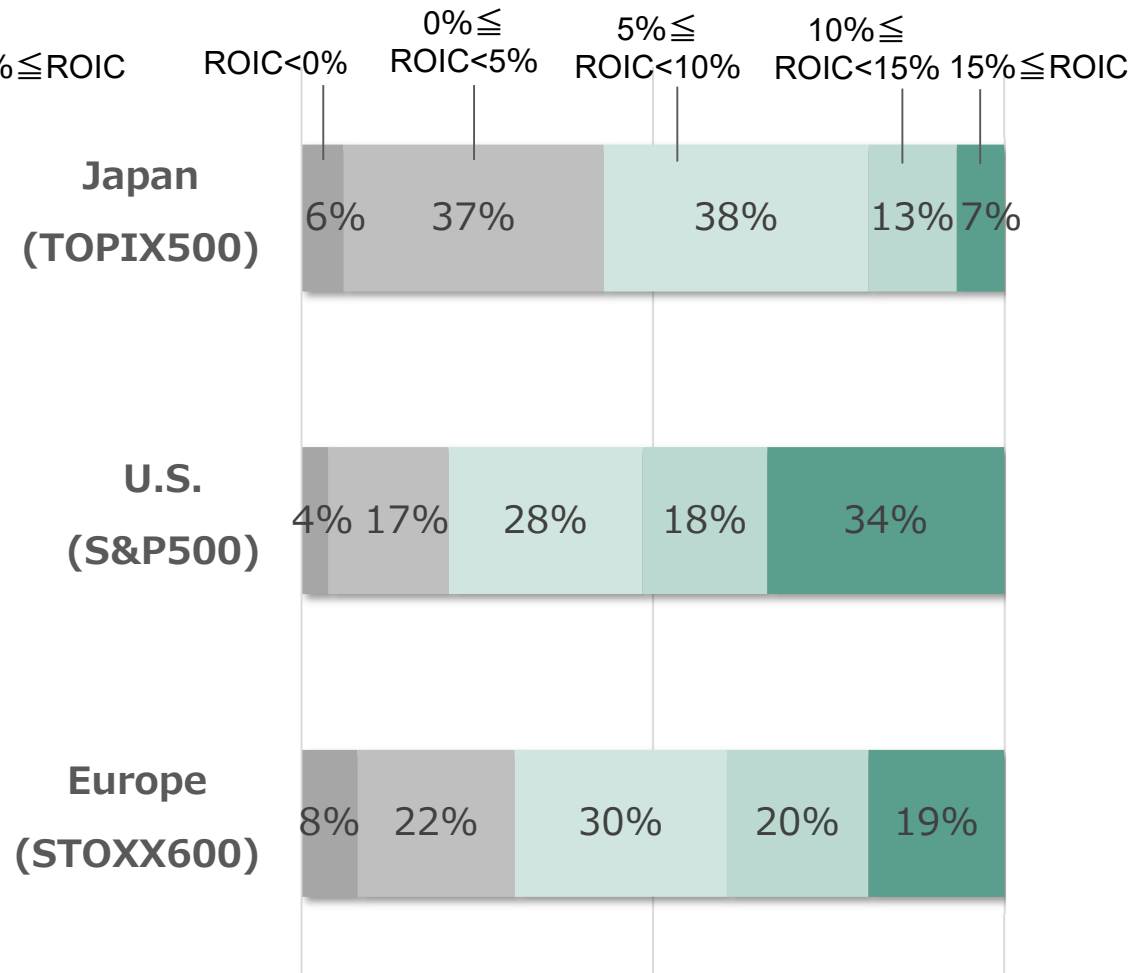
Note: Compiled by TSE based on Bloomberg data as of July 1, 2022.

# ROIC (Return on Invested Capital)

## ROIC Distribution by Market Segment



## Global Comparison of ROIC (major companies)



Note: Compiled by TSE based on QUICK data as of July 1, 2022 (excluding foreign companies).

Note: Compiled by TSE based on Bloomberg data as of July 1, 2022.

## Number of Companies that Do Not Meet the Criteria

	Combination of Unfulfilled Criteria							Total
	i	ii	iii	iv	v	vi	vii	
<b>Tradable Share Market Cap</b> (JPY 10 bil. or more)	●	●		●	●			<b>217</b>
<b>Tradable Share Ratio</b> (35% or more)	●	●	●			●		<b>36</b>
<b>Trading Value</b> (daily avg. JPY 20 mil. or more)	●		●	●			●	<b>81</b>
<b>Number of companies</b>	5	11	0	51	150	20	25	<b>262</b>

Note: Among the 295 companies that disclosed their plans, 33 companies have announced that they have exceeded the criteria, based on their own calculation.

## Distribution of Plan Lengths

		Combination of Unfulfilled Criteria							Total
		i	ii	iii	iv	v	vi	vii	
<b>Length of Plan</b>	<b>Less than 1Y</b>				1	10	4	5	<b>20 (8%)</b>
	<b>1Y – 2Y</b>		1		3	18	4	4	<b>30 (11%)</b>
	<b>2Y – 3Y</b>		4		22	60	5	12	<b>103 (39%)</b>
	<b>3Y – 4Y</b>	1	2		10	32	5	3	<b>53 (20%)</b>
	<b>4Y – 5Y</b>	4	3		7	19	2	1	<b>36 (14%)</b>
	<b>5Y or more</b>				8	12			<b>20 (8%)</b>

Note: Plan length is counted from the date of transition to the new market segment. If multiple criteria are not met and different lengths of plan are set for each, the longest plan is used.



### Number of Companies that Do Not Meet the Criteria

	Combination of Unfulfilled Criteria							Total
	i	ii	iii	iv	v	vi	vii	
<b>Tradable Share Market Cap</b> (JPY 1 bil. or more)	●	●		●	●			<b>122</b>
<b>Tradable Share Ratio</b> (25% or more)	●	●	●			●		<b>77</b>
<b>Number of Shareholders</b> (400 shareholders or more)	●		●	●			●	<b>11</b>
<b>Number of companies</b>	0	11	2	6	105	64	3	<b>191</b>

Note: Among the 209 companies that disclosed their plans, 18 companies have announced that they have exceeded the criteria, based on their own calculation.

### Distribution of Plan Lengths

		Combination of Unfulfilled Criteria							Total
		i	ii	iii	iv	v	vi	vii	
<b>Length of Plan</b>	<b>Less than 1Y</b>		1			7	5	1	<b>14 (7%)</b>
	<b>1Y – 2Y</b>			1	1	15	10	2	<b>29 (15%)</b>
	<b>2Y – 3Y</b>		7	1		41	31		<b>80 (42%)</b>
	<b>3Y – 4Y</b>		1		3	22	9		<b>34 (18%)</b>
	<b>4Y – 5Y</b>		1			21	5		<b>27 (14%)</b>
	<b>5Y or more</b>		1		1	1	3		<b>6 (3%)</b>

Note: Plan length is counted from the date of transition to the new market segment. If multiple criteria are not met and different lengths of plan are set for each, the longest plan is used.

### Number of Companies that Do Not Meet the Criteria

	Combination of Unfulfilled Criteria							Total
	i	ii	iii	iv	v	vi	vii	
Tradable Share Market Cap (JPY 0.5 bil. or more)	●	●		●	●			2
Tradable Share Ratio (25% or more)	●	●	●			●		20
Market Cap. (JPY 4 bil. from 10th yr. of IPO)	●		●	●			●	18
Number of companies	0	0	0	1	1	20	17	39

Note: Among the 45 companies that disclosed their plans, 6 companies have announced that they have exceeded the criteria, based on their own calculation.

### Distribution of Planning Period

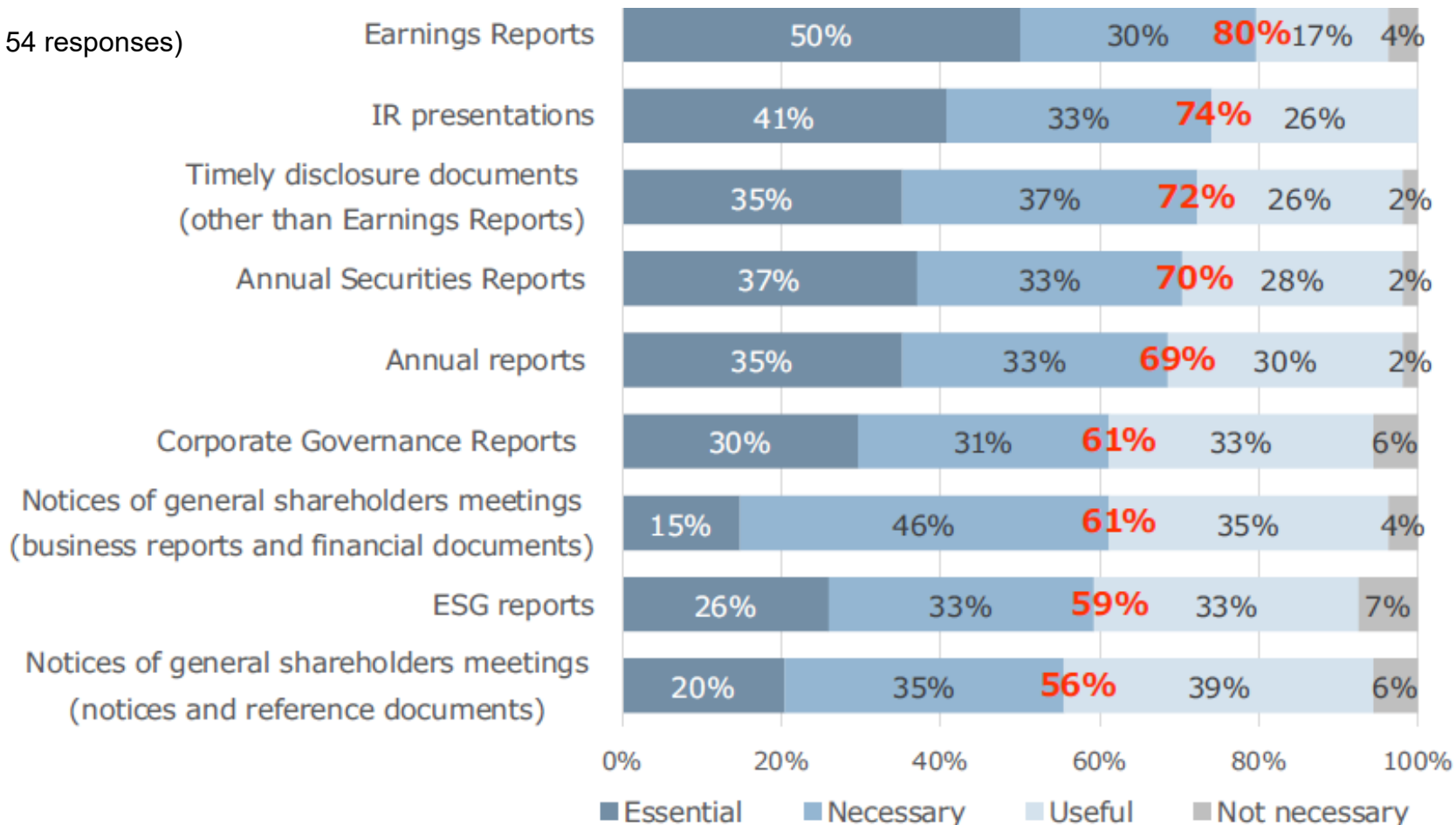
		Combination of Unfulfilled Criteria							Total
		i	ii	iii	iv	v	vi	vii	
Planning Period	Less than 1Y					1	2	1	4 (10%)
	1Y – 2Y						5	7	12 (31%)
	2Y – 3Y						6	5	11 (28%)
	3Y – 4Y						3	1	4 (10%)
	4Y – 5Y				1		3	3	7 (18%)
	5Y or more						1		1 (3%)

Note: Plan length is counted from the date of transition to the new market segment. If multiple criteria are not met and different lengths of plan are set for each, the longest plan is used.

# Results of the Survey of Foreign Investors

## Documents for which English is Considered Necessary

(Total 54 responses)



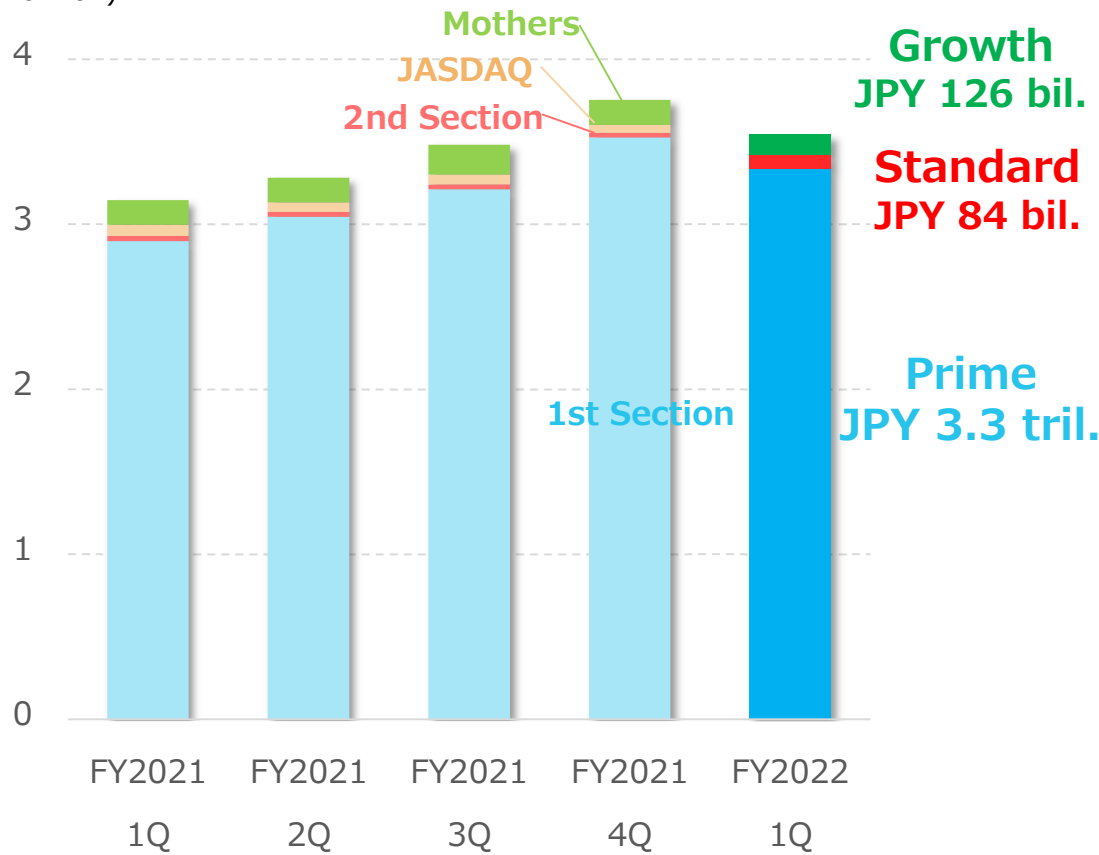
- Note:
- Essential: If listed Japanese companies do not provide disclosure documents in English, we will not make investments.
  - Necessary: We need disclosure documents in English.
  - Useful: If disclosure documents are available in English, we will use them.
  - Not necessary: We do not use disclosure documents in English even if they are available.

Source: TSE “Results of the Survey of Overseas Investors on English Disclosure by Japanese Companies” (Aug. 2021)

# Trading in the New Market Segments

## Daily Average Trading Value

Daily Average Trading Value (JPY trillion)



Note: April 1, 2022 is included in FY2021 4Q

## Trading by Type of Investor (from Apr. 2022 to June 2022)

