

## Consultation Paper Concerning the “Follow-up of Market Restructuring”

September 30, 2022  
Tokyo Stock Exchange, Inc.

### I. Purpose

On April 4, 2022, Tokyo Stock Exchange, Inc. (TSE) restructured its stock market into three new market segments: Prime Market, Standard Market, and Growth Market.

This market restructuring is intended to help boost listed companies' sustainable growth and mid- to long-term corporate value, thereby providing attractive markets that are widely approved of by foreign and domestic investors. TSE has clarified the concept of each market segment and set quantitative criteria such as liquidity and qualitative frameworks such as the Corporate Governance Codes according to each of these concepts in order to provide a foundation for listed companies to work on improving their corporate value.

Also, in transitioning to their new market segments, each listed company was required to select the most appropriate market segment in light of its own management policies and strategies. This selection process has triggered serious discussions at internal meetings such as board of directors meetings about enhancing corporate value, and new growth strategies and efforts to improve liquidity are underway.

On the other hand, sustainable growth and medium- to long-term improvement of corporate value can only be realized through continuous and steady efforts. Therefore, in order to truly achieve the objectives of the market restructuring, it is essential to follow up on such efforts even after the transition.

In order to make the market restructuring more effective, TSE established the "Council of Experts Concerning the Follow-up of Market Restructuring" (hereinafter referred to as the "Follow-up Council") and began discussions this July regarding issues to be followed up on and the necessity of additional measures after the transition to the new market segments.

This consultation paper is intended to solicit opinions from a wide range of market participants for future consideration by the Follow-up Council and TSE.

Note: The handling of TOPIX and other TSE indices is discussed at JPX Market Innovation & Research, Inc., and therefore comments on indices are outside the scope of this consultation.

## **II. Call for Comments**

When submitting your comments, please refer to the attached "Reference Materials" for the status of discussions at the Follow-up Council and related data for the new market segments. In addition, please refer to the following JPX webpage regarding the materials and minutes of the Follow-up Council.

<https://www.jpx.co.jp/english/equities/improvements/follow-up/index.html>

### **Call for comments on:**

#### **1. Prime Market**

- The Prime Market is for companies that commit to medium- to long-term improvement of corporate value, focusing on engaging in constructive dialogue with investors. The listing criteria and the Corporate Governance Code require companies to ensure ample liquidity for investment from a variety of institutional investors, higher levels of governance, and enhanced English and sustainability disclosure. What issues in particular should we encourage companies listed in the Prime Market to improve in the future?
  - For example, how would you approach these issues from the perspective of motivating listed companies to make efforts to improve their corporate value, promoting dialogue with investors, and the like?

#### **2. 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 issues in particular should we encourage companies listed in the Standard Market to improve in the future?
  - For example, how would you approach these issues from the perspective of motivating listed companies to make efforts to improve their corporate value, functioning as an IPO market, and the like?

#### **3. 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 issues in particular should we encourage companies listed in the Growth Market to improve in the future?
  - For example, how would you approach these issues from the perspective of functioning as an IPO market, realizing high growth potential after listing, and the

like?

#### **4. 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, what are your thoughts on the future of the transitional measures?

#### **5. Others**

- Comments on other topics regarding the market restructuring.

### **III. Comment Period**

From September 30, 2022 to October 31, 2022

### **IV. Method for Submitting Comments**

Please submit comments via the submission form using the following link.

<https://reg18.smp.ne.jp/regist/is?SMPFORM=Ihli-Ihratc-6202da5ece80a5f44a84978786860db9>

\* If you have difficulty submitting via the link above, please send an e-mail to TSE ([jojo-kikaku@jpx.co.jp](mailto:jojo-kikaku@jpx.co.jp)) with the following information.

- ✓ Name
- ✓ Name of corporate entity or organization
- ✓ Department / Position
- ✓ E-mail address
- ✓ Category (Please select from institutional investor, individual investor, securities company, listed company, or other)
- ✓ Opinion

Note: TSE will compile the submitted comments and publish them on the JPX website as reference materials for the Follow-up Council. Names of the corporate entities or organizations contributing the comments will be included in such documents (individual persons will be indicated as "Individual").

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