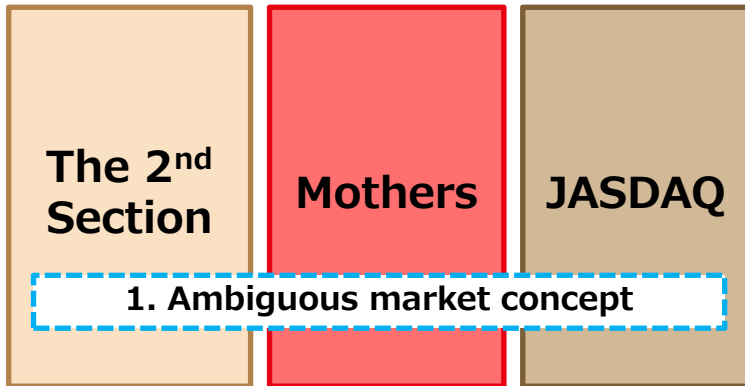
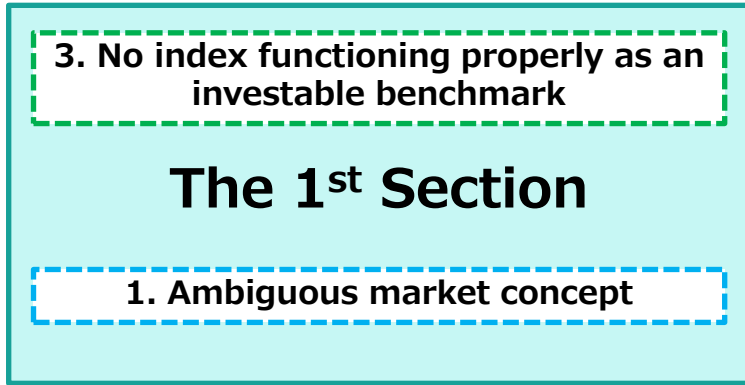


Current Issues regarding TSE Cash Equity Market Structure



- 1. Ambiguous market concept impairing convenience of investors & losing attractiveness**
- ✓ Concerns that market concept of the 2nd Section, Mothers, and JASDAQ overlap and confusing
 - ✓ Concerns that market concept of the 1st Section is unclear, and the growth of TOPIX-linked passive investment is affecting price formation of issues with relatively low liquidity

- 2. Insufficient incentives for listed companies to sustainably grow and increase corporate value**
- ✓ Concerns that listing criteria for “step-up “to the 1st Section is not functioning sufficiently to incentivize growth
 - ✓ Concerns of the need to facilitate market participation of institutional investors and of the need to review disclosure frameworks appropriate for start-up companies

- 3. No index functioning properly as an investable index (no index is a benchmark that also represents wide investment opportunities)**
- ✓ TOPIX, widely used by investors, is a benchmark of all companies listed on the 1st Section
 - ✓ Few investors use JPX Nikkei 400 nor TOPIX 500

● For the Japanese economy to continue growing, it is imperative and urgent that listed companies increase their corporate value over the medium-to-long term and many start-up companies emerge and succeed

Summary of the Review on Current Issues

- In order to provide various types of companies with opportunities to list, as well as to incentivize sustainable increase of their value after listing, it is appropriate to re-design the market structure and respective criteria with a fresh perspective on what the ideal market structure in the future would look like; **dividing the market into multiple segments according to the type of company (listed company's growth stage/life cycle, and investor type) and clarifying the concept of each market division.**



(※) Names of each market are to be decided in the future

(Criteria based on each of the Market Concept)

○Listing Criteria

- Market "A" & "C" : Criteria based on governance structure, liquidity, profit(earnings), market valuation (market cap) etc.
- Market "B" : Listing opportunities for companies with high growth potentials, including investment-intensive companies; Less stringent criteria compared to Market "A" and "C"

○Exit Criteria

- Criteria which factors market valuation, in addition to business and financial results (performance)

(Mechanism to Complement the Incentives for Sustainable Growth of Listed Companies)

- Standardized criteria for transfers between markets, newly listings and exits from market
- Further consideration on schemes to facilitate market participation of institutional investors
- Optimize disclosure and other frameworks according to companies' growth stage and investor types
- Especially at Market "C", further consideration on the investors' needs for indices or market segments with selection criteria that focuses even more on global institutional investors' perspective etc.

※ **Ensuring appropriate transition process that takes into consideration the impact on companies and investors sufficiently**

- Ensuring opportunities for listed companies to voluntarily apply and choose the market to be listed, and establishing sufficient transitional period (several years) and/or phased-in increments in the criteria etc.