

Future Measures in the Growth Market

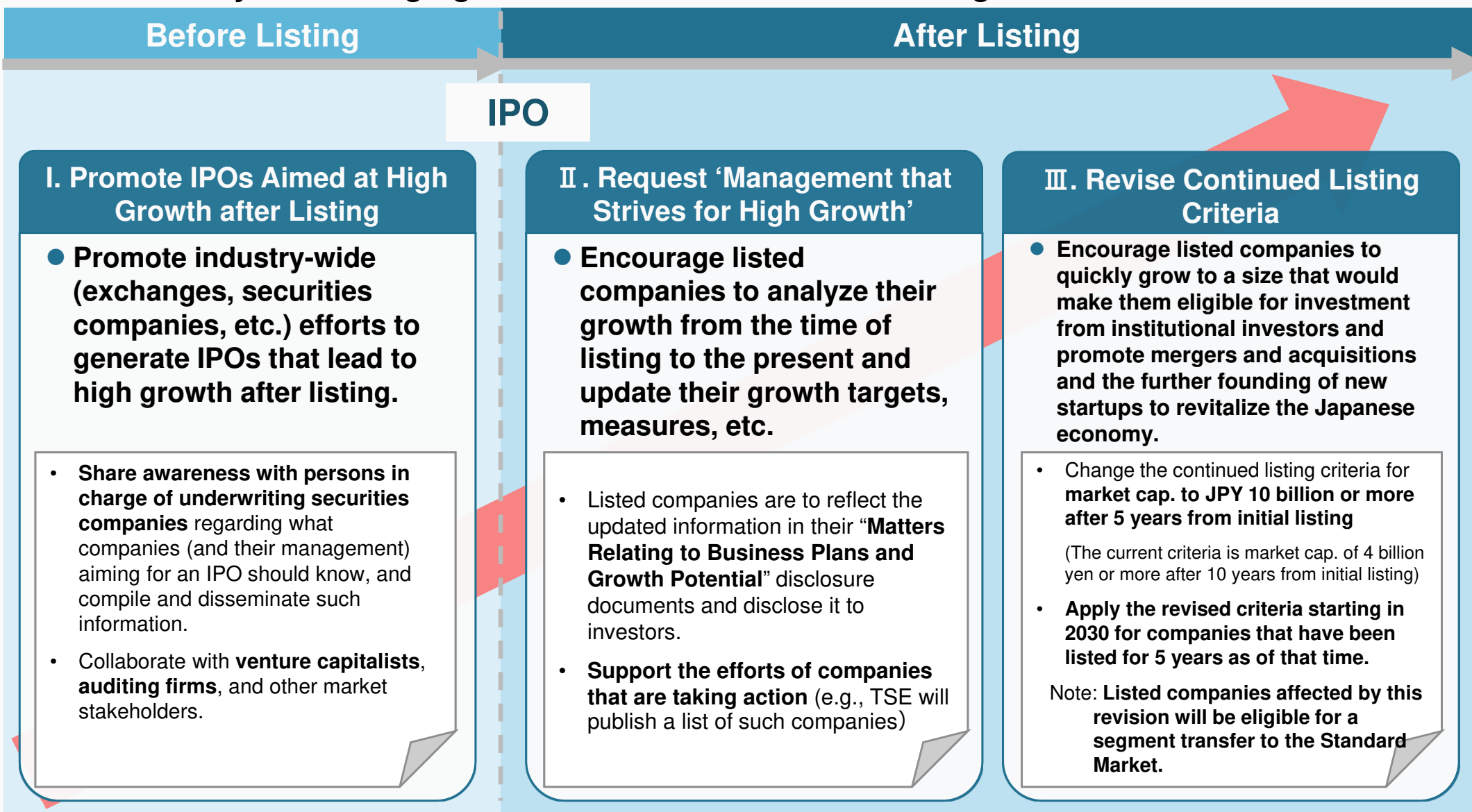
Listing Department,
Tokyo Stock Exchange

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Future Measures in the Growth Market (Overview)

- ◆ In order for the Growth Market to produce startups that will drive the future growth of the Japanese economy, TSE will promote a set of measures that encourage companies to continuously aim for high growth both before and after listing.



I. Promotion of IPOs Aimed at High Growth after Listing (For Companies Preparing for Listing)

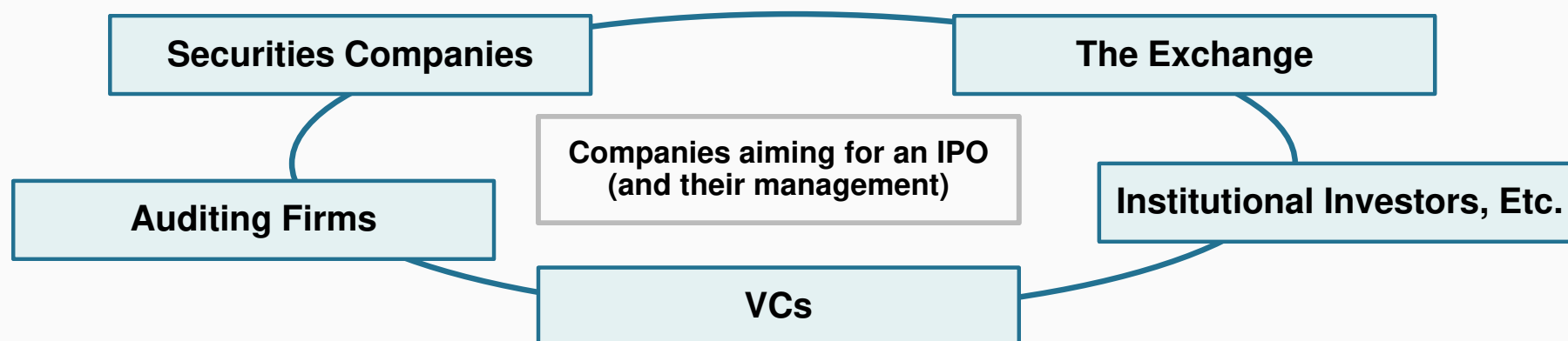
◆ For companies (and their management) aiming for an IPO:

- After listing, there will be a responsibility to meet the growth expectations of a **wider range of shareholders and investors**.
- In order to fulfill this responsibility, it is necessary to **fully consider how to utilize the IPO for post-listing growth, and whether the timing and scale of the IPO are appropriate**.

Awareness of these responsibilities is extremely important.

◆ It is assumed that TSE will approach companies (and their management) **in collaboration with those involved in supporting IPOs from an early stage (such as securities companies)**.

- For example, it is possible to **share awareness with those involved (at a high level) about the content that companies (and their management) aiming for an IPO should know**, and to have them communicate this from their respective positions (utilizing the Cooperative Meeting on IPO Practicalities).
- In addition to the initiatives described on the next page, we will **continue to promote the disclosure of listing objectives** that we have been requesting since June last year, as well as the **disclosure of the status of their implementation** after listing.



II . Request for ‘Management that Strives for High Growth’ (For Listed Companies)

- ◆ TSE expects to **reiterate to management at Growth Market listed companies, using the current system, that it would like to see them promote ‘Management that Strives for High Growth’ appropriate for the Growth Market.** Specifically:

- **Evaluate and analyze their growth from the time of their IPO to the present**
 - **Based on that analysis, review and consider future growth targets and measures**
 - **Disclose the above information under “Matters Relating to Business Plans and Growth Potential” and consistently implement those measures** (and provide regular updates)
- * For companies that actively take measures, **TSE will also provide support** (such as publishing a list of these companies)

Examples of “Matters Relating to Business Plans and Growth Potential” Disclosure Content

| Category | Content |
|---------------------------|-------------------------------------|
| Business Model | Business details |
| | Earnings Structure |
| Market Environment | Market size |
| | Competitive environment |
| Source of Competitiveness | Competitive advantage |
| Business Plan | Growth strategy |
| | Management indicators |
| | Profit planning and assumptions |
| | Progress |
| Risk Information | Perceived risks and countermeasures |

Requested Content (Draft)


Evaluation and Analysis of Growth Since IPO/Review and Consideration of Growth Targets and Measures

- From the perspective of aiming for high growth, analyze and evaluate whether the current business model has been functioning well **indicators based on the situation of individual companies and investor needs**, such as market cap., share price, sales, profit, PSR, PER, etc.
- In doing so, **also check to ensure that there are no discrepancies in the assumptions regarding the target market size and the company’s competitive advantage.**
- Using the above indicators and other data, **formulate specific growth targets and measures to achieve them.**

Disclosure to Investors and Implementation of Measures

- Disclose “Matters Relating to Business Plans and Growth Potential” at the time of the next disclosure update (early disclosure or disclosure following relevant review and consideration are also both possible).
- No particular format is specified (this document does not specify a format, etc., and presents examples of disclosure content).
- If a company is taking action in line with the requests, disclose relevant related information.

III. Revision of Continued Listing Criteria (Draft)

- ◆ Among TSE's market segments (Prime, Standard, and Growth), **the Growth Market is for startups that are boldly taking on challenges with the aim of achieving high growth.**
 - ◆ **In order to create as many startups as possible that will drive the future growth of the Japanese economy,** it is necessary for Growth Market listed companies to **quickly grow to a size (JPY 10 billion) that would make them eligible for investment by institutional investors.**
 - ◆ In addition, many have expressed that they strongly feel **mergers and acquisitions of stagnant companies and further founding from entrepreneurs should be promoted to revitalize the Japanese economy.**
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Proposed Revision

- Change **the continued listing criteria for market capitalization to JPY 10 billion or more 5 years after initial listing**
(current criteria: market capitalization of **JPY 4 billion** or more **10 years** after initial listing)
- To ensure sufficient preparation time, **the new criteria will apply from 2030 for companies that have been listed for 5 years as of that time.**

Note: Listed companies affected by this revision (market capitalization of JPY 4 billion or more but less than JPY 10 billion) will be eligible for a segment transfer to the Standard Market.