

Future Approaches in the Standard Market

Listing Department
Tokyo Stock Exchange

September 2, 2025



Previous Discussion (July 2025)

- ◆ At the previous meeting, the attendees expressed the following opinions regarding the future direction of the Standard Market:

- With the revisions to the continued listing criteria for the Growth Market, I anticipate that **the Standard Market will become TSE's central market in both name and substance**. In this context, **we must consider the best way to further revitalize the Standard Market and enhance the value of the companies listed on it**.
- In the Standard Market as well, **TSE must continue to strongly encourage listed companies not only to implement management that is conscious of cost of capital and stock price but also to enhance their investor relations (IR)**, as it has done to date.
- Taking into account the fact that **many of the companies that are listed on the Standard Market are owned by parent companies or controlling shareholders**, I think that their major focus should be to consider **how to allocate their management resources so that their group's management can create value**.
- **Business corporations make up a large percentage of the shareholders of the companies that are listed on the Standard Market. TSE must examine this in greater detail** (e.g., whether those shareholders are corporate groups or other types of business corporations).
- I believe that the Standard Market is a market that welcomes a wide variety of companies, and many of the companies that are listed on it play an important role in supporting Japan's economy and its industries. However, they need to address various matters. **An important one is the protection of minority shareholders, and TSE must firmly request that they do so**.
- **It is important to discuss all options that TSE could take, including revisions to the listing criteria or to the listing rules in general**.



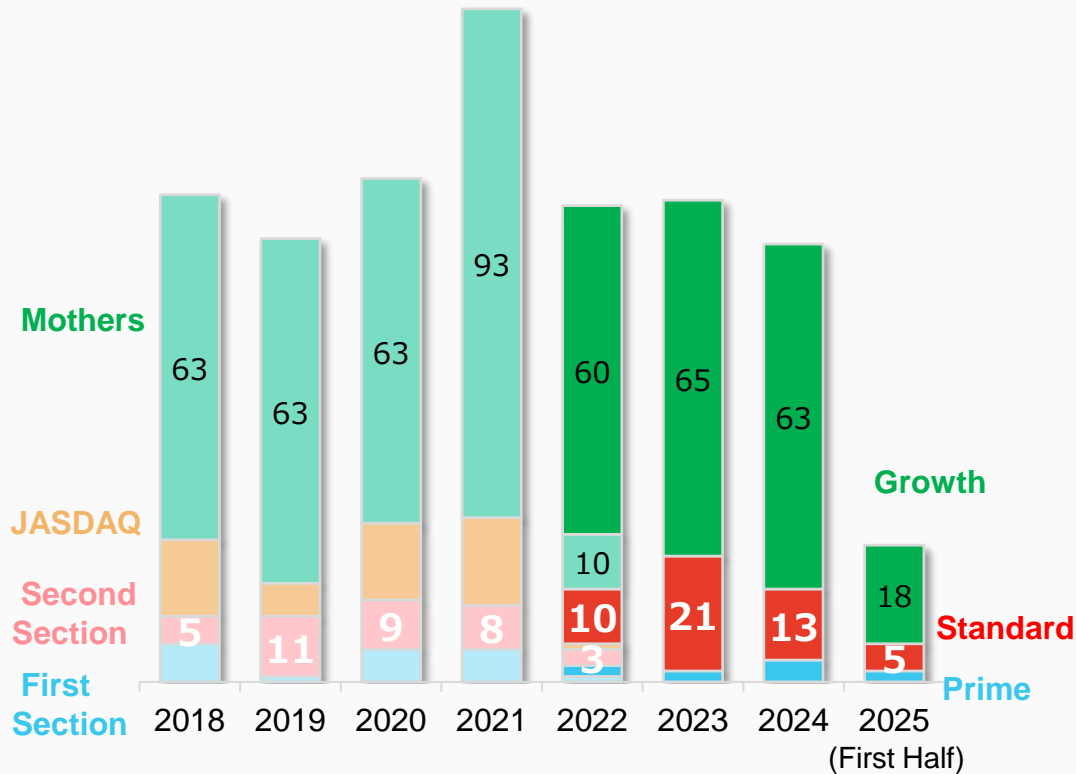
Today, we would like to consider the current state of the Standard Market and discuss what approaches TSE should take going forward.

1. Current State of the Standard Market

IPOs on the Standard Market

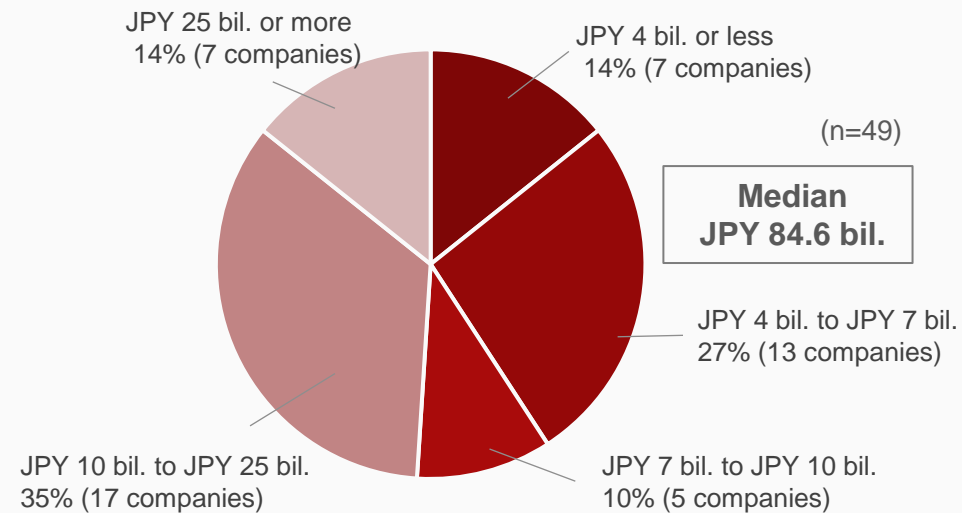
- ◆ TSE expects around 10 to 20 companies per year to make their IPOs on the Standard Market.
- The median market capitalization of companies at the time of their IPOs is JPY 84.6 billion.

Number of IPOs



Note: Excludes technical listings and listings via the TOKYO PRO Market

Market Capitalization of Companies at the Time of Their IPOs on the Standard Market

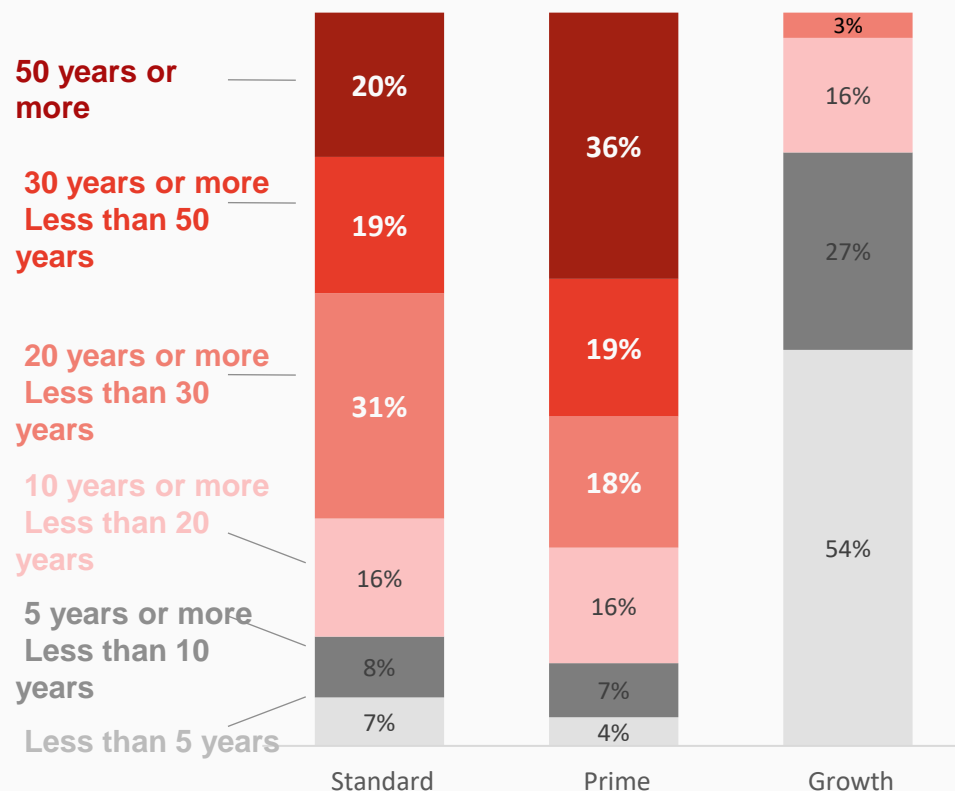


Listing Date	Company	Listed Market Capitalization
March 2023	SBI Sumishin Net Bank	JPY 184.3 bil.
January 2023	Seibu Giken	JPY 55.08 bil.
August 2022	Japan Business Systems	JPY 44.18 bil.
June 2024	TAUNS Laboratories	JPY 43 bil.
December 2024	Kuroda Group	JPY 41.21 bil.
November 2023	Japan Eyewear Holdings	JPY 30.43 bil.
October 2024	Shimadaya	JPY 26.76 bil.

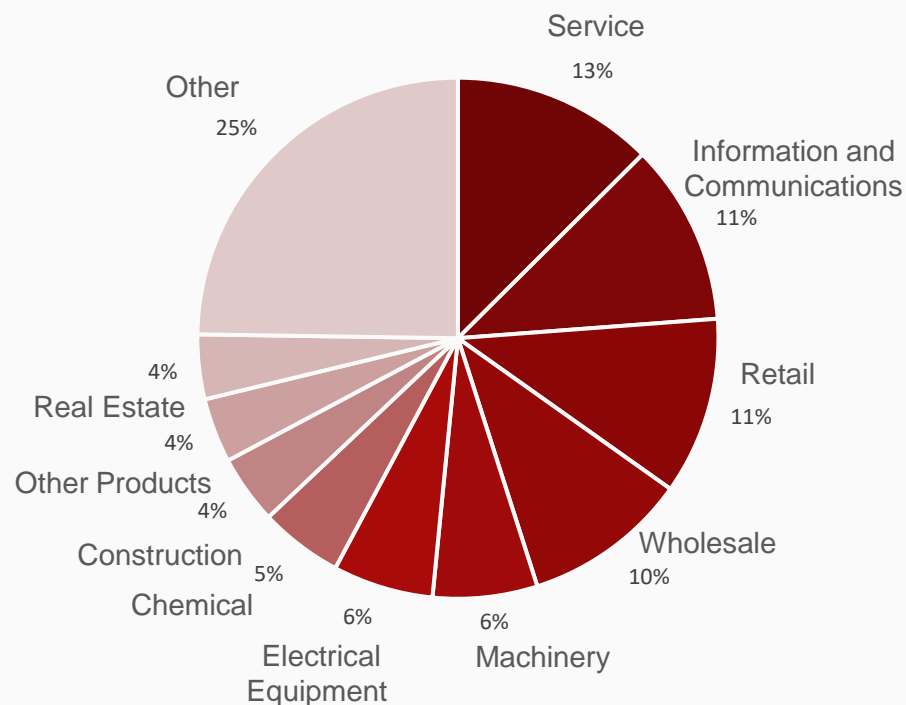
The Number of Years Since Listing and the Sectors of Listed Companies on the Standard Market

- ◆ Companies on the Standard Market, like those on the Prime Market, tend to have been listed for a long time.
- ◆ The Standard Market's sectors are well-balanced, and companies from various sectors are listed there.

Number of Years Since Listing



Sectors of Listed Companies on the Standard Market



Note "Other" includes metal products, food products, transportation equipment, glass and ceramic products, textile products, warehousing and transportation-related services, land transportation services, iron and steel, precision instruments, security and commodity futures trading, other financial services, pulp and paper, banking, non-ferrous metals, pharmaceuticals, rubber products, maritime transportation services, fisheries and forestry, petroleum and coal products, electricity and gas services, air transportation services, and mining.

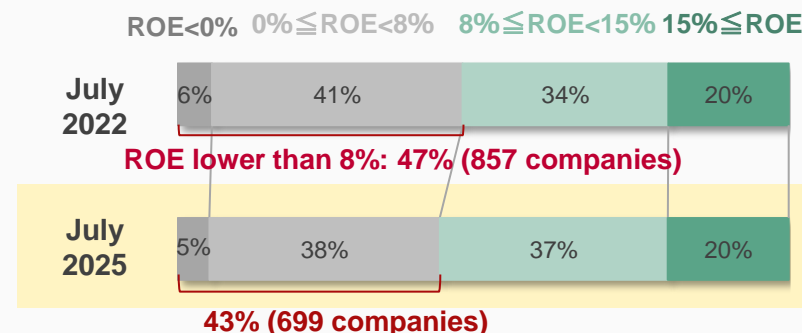
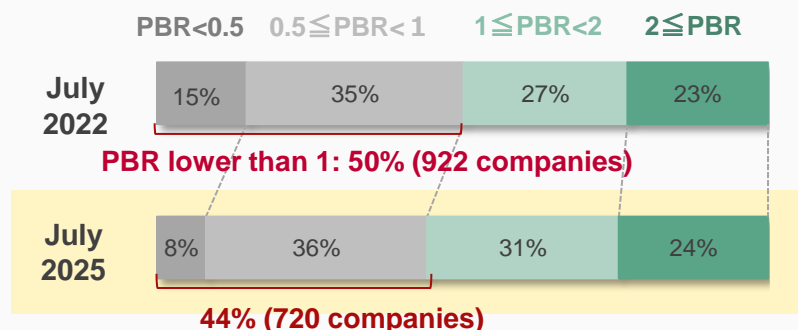
Distributions of PBR and ROE

- ◆ In the Standard Market as well, TSE must continue to encourage listed companies to implement management that is conscious of cost of capital and stock price.

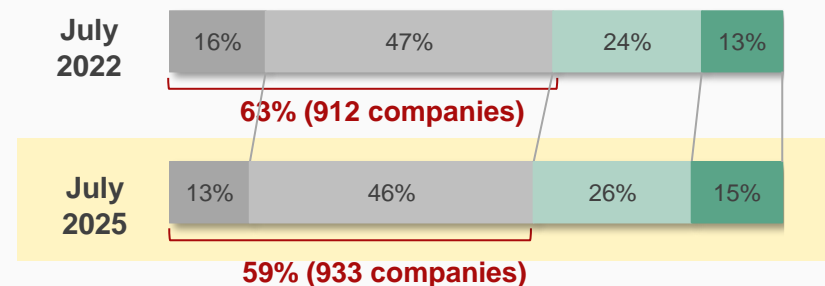
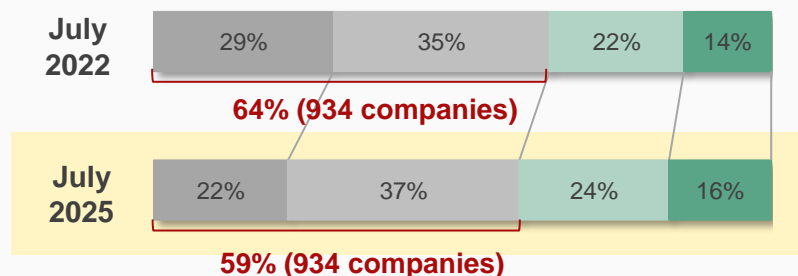
Change in PBR Distribution by Market Segment

Change in ROE Distribution by Market Segment

Prime



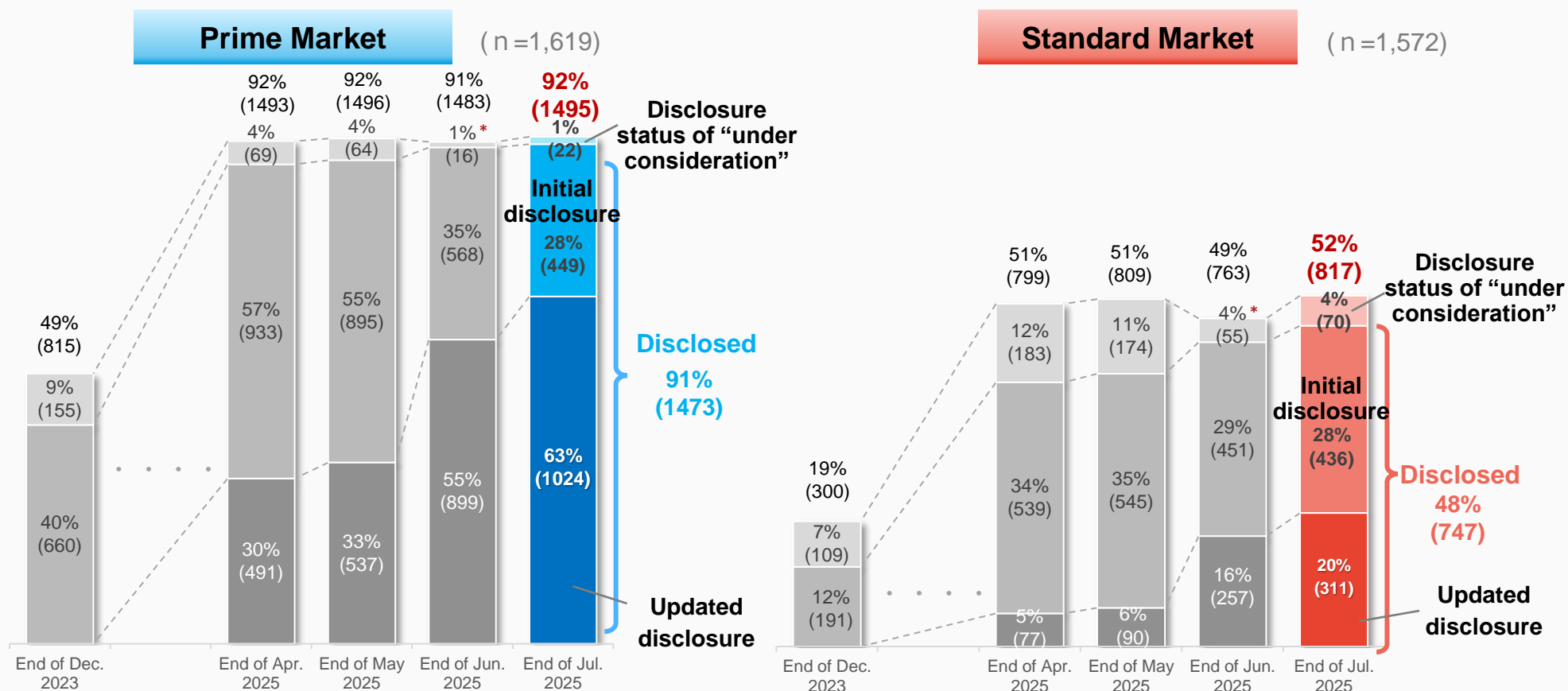
Standard



Note 1: Compiled by TSE based on QUICK data.
Note 2: Data as of July 1, 2022 and July 1, 2025

Initiatives by Listed Companies to Realize Management That Is Conscious of Cost of Capital and Stock Price (1)

- ◆ 52% of listed companies (817 companies) on the Standard Market have made disclosures regarding their initiatives (including those whose status is “under consideration”)
 - They are lagging behind listed companies on the Prime Market in terms of considering and implementing their initiatives

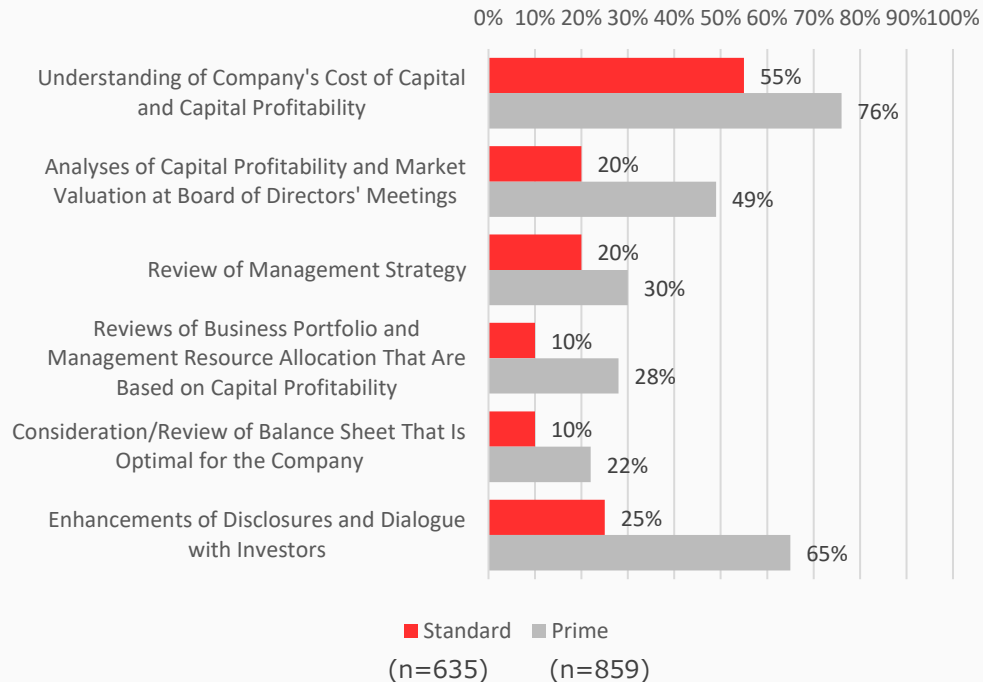


* The number of companies "under consideration" has decreased because some have transitioned to "disclosed." Additionally, starting from January 2025, the inclusion period for "under consideration" on the List of Companies That Have Disclosed Information will be six months, and companies that exceed this period will no longer be included in the list.

Initiatives by Listed Companies to Realize Management That Is Conscious of Cost of Capital and Stock Price (2)

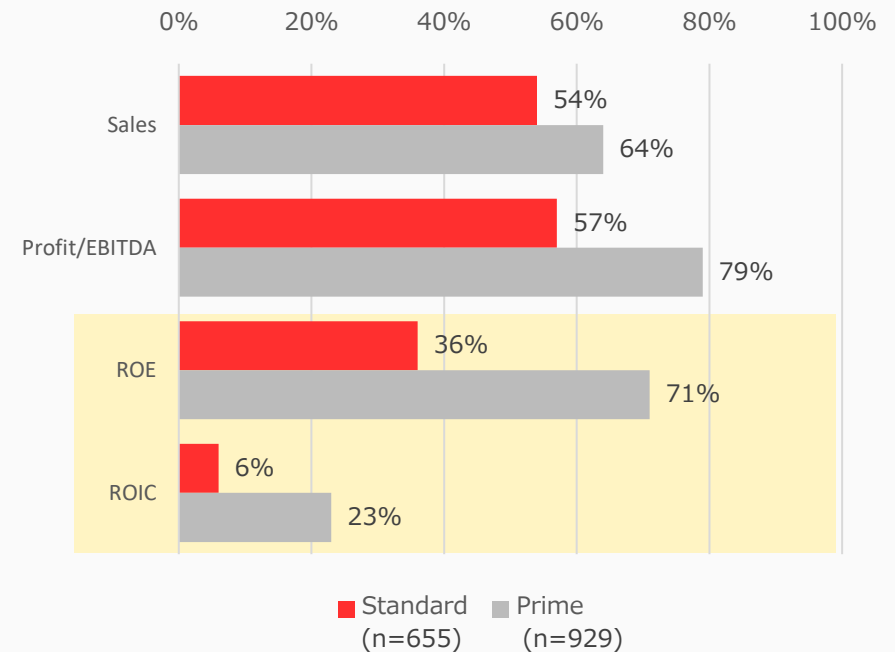
- ◆ While a majority of listed companies on the Standard Market have made progress in understanding their own costs of capital and capital profitability, this has not led their boards of directors to conduct analyses or review their management strategies.
- Sales and profit remain the primary KPIs in their Medium-Term Management Plans and other documents, and the percentage of listed companies using ROE or ROIC as a KPI is lower compared to the Prime Market.

Actions Taken by Companies in Response to “Action to Implement Management That Is Conscious of Cost of Capital and Stock Price”



Note: n is the number of companies that made a valid response to the survey question

KPIs in Companies' Medium-Term Management Plans and Other Documents



Note: n is the number of companies that responded to the survey (including companies that did not respond to the survey question)

(Source) Charts made by TSE based on information from Sumitomo Mitsui Trust Bank's "Corporate Governance Reforms Toward Maximizing Corporate Value: 'Governance Survey 2024' Implementation Report"

Stock Price Trends After TSE's Request



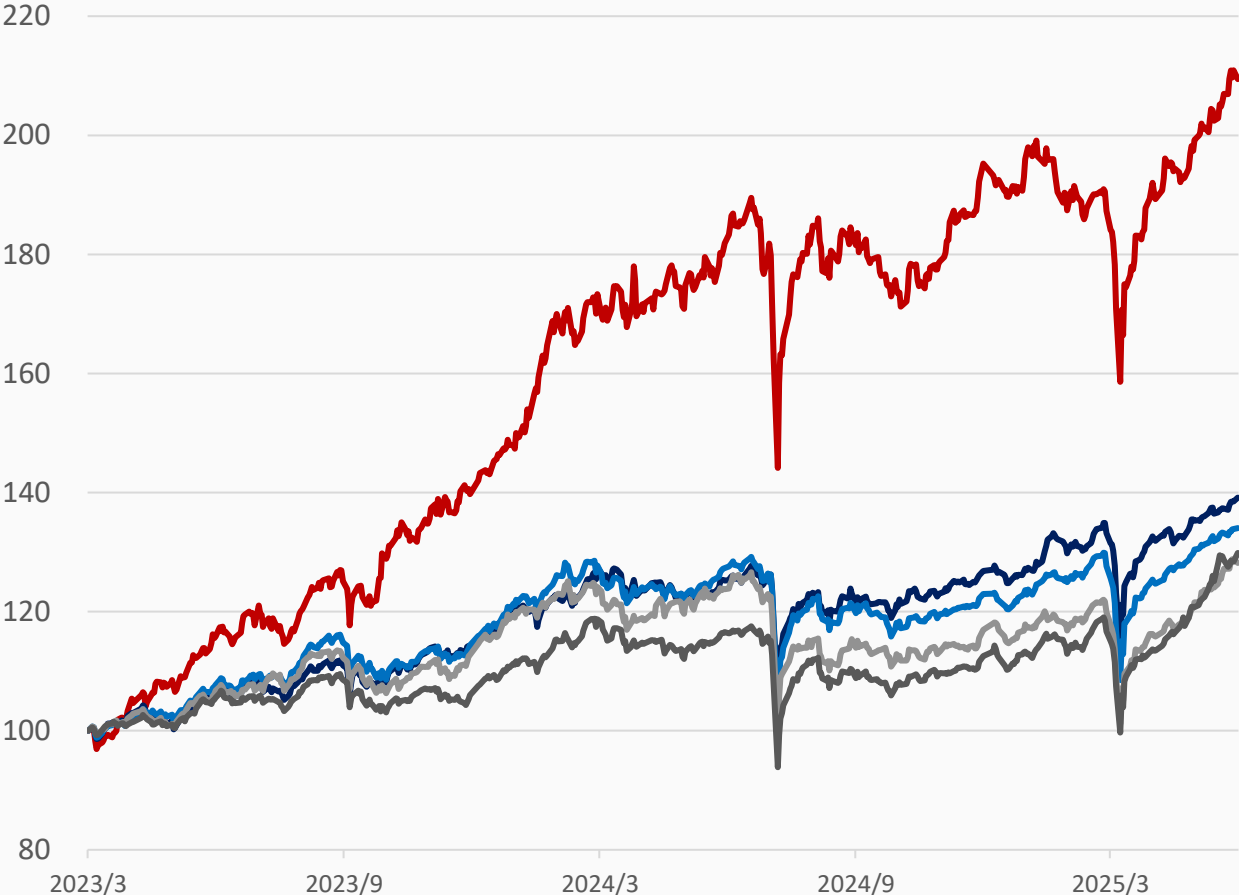
◆ On the other hand, some companies, such as those featured in the case studies, are proactively pursuing their initiatives and significantly enhancing their corporate value.

Companies Featured in the Case Studies: +109.4%
(n = 13)

Top 5 Companies by Price Change Rate

Company	Price Change Rate	Market Capitalization
DAIHATSU INFINEARTH	321.5%	JPY 72.9 bil.
Kanro	277.5%	JPY 70.1 bil.
NIPPO	222.2%	JPY 23.5 bil.
PLANT	119.2%	JPY 11.5 bil.
ARAYA INDUSTRIAL	109.2%	JPY 28.7 bil.

Updated Disclosure: +39.1% (n = 90)
Initial Disclosure: +34.0% (n = 530)
No Disclosure: +29.9% (n = 741)
Under Consideration: +28.2% (n = 166)

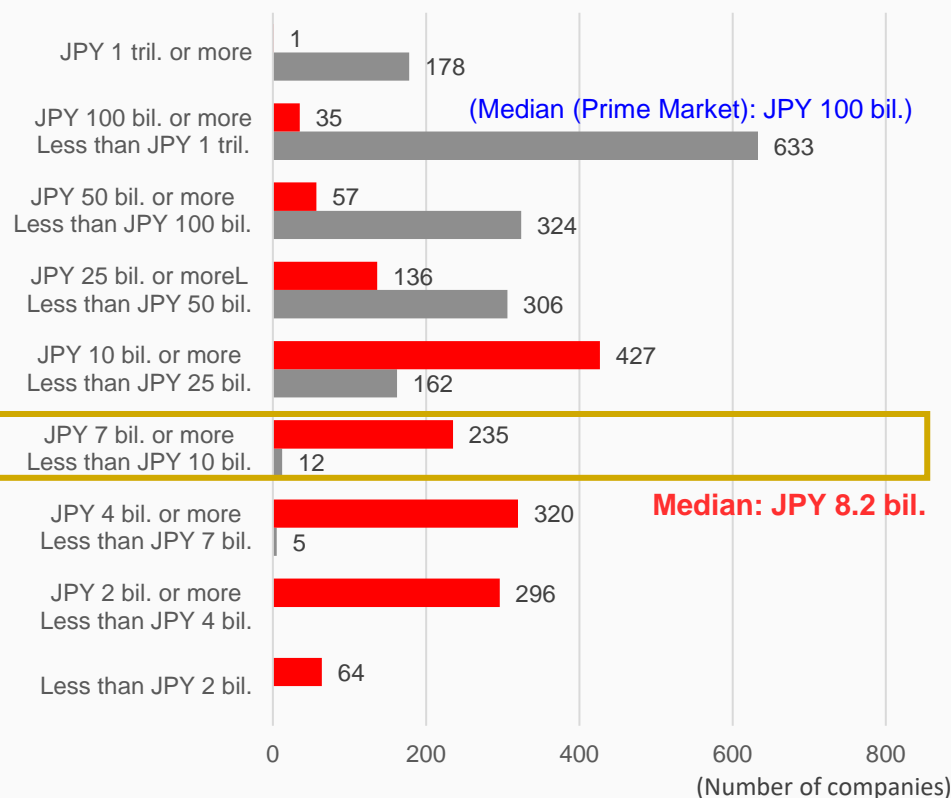


* Stock price trends by category have been calculated (with equal weighting) by using 100 as the value for each company's stock price on March 31, 2023.
* Each company's disclosure status has been categorized based on the "List of Companies That Have Disclosed Information (as of June 30, 2025)"

Liquidity (Market Capitalization and Trading Value)

- ◆ In the Standard Market, the median market capitalization of the listed companies is JPY 8.2 billion, and the median daily trading value is JPY 16 million.
- Due to liquidity issues, it is difficult for many of the listed companies to attract investments and engagement from institutional investors.

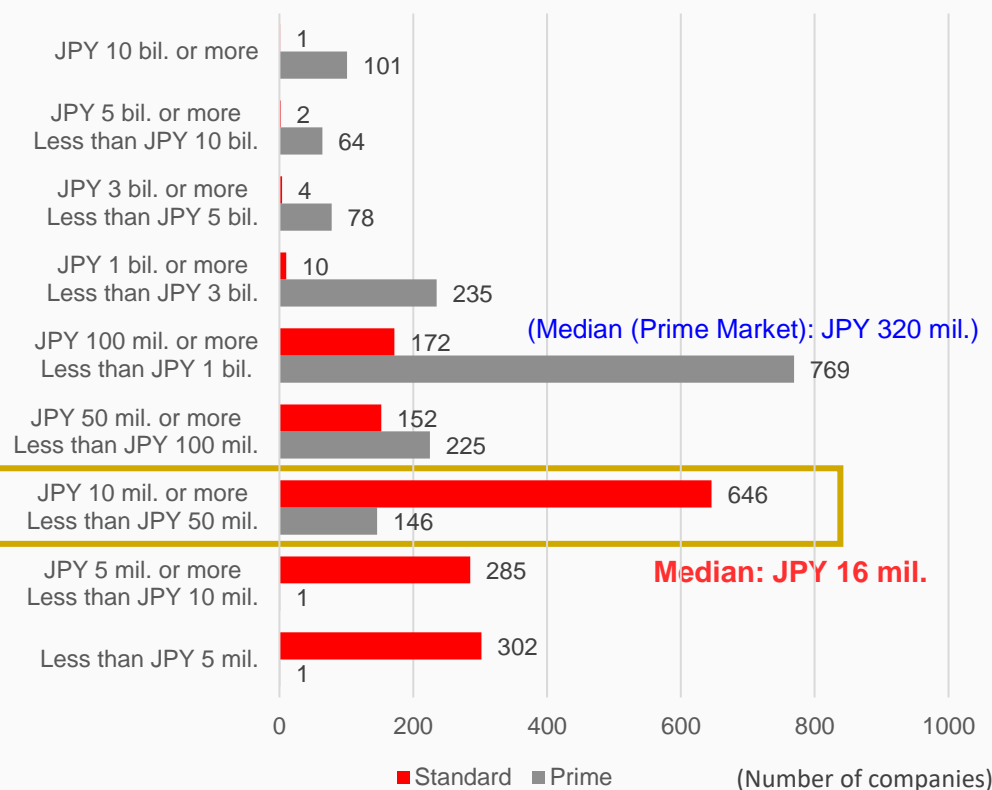
Market Capitalization



Note: As of July 22, 2025

■ Standard ■ Prime

Average Daily Trading Value

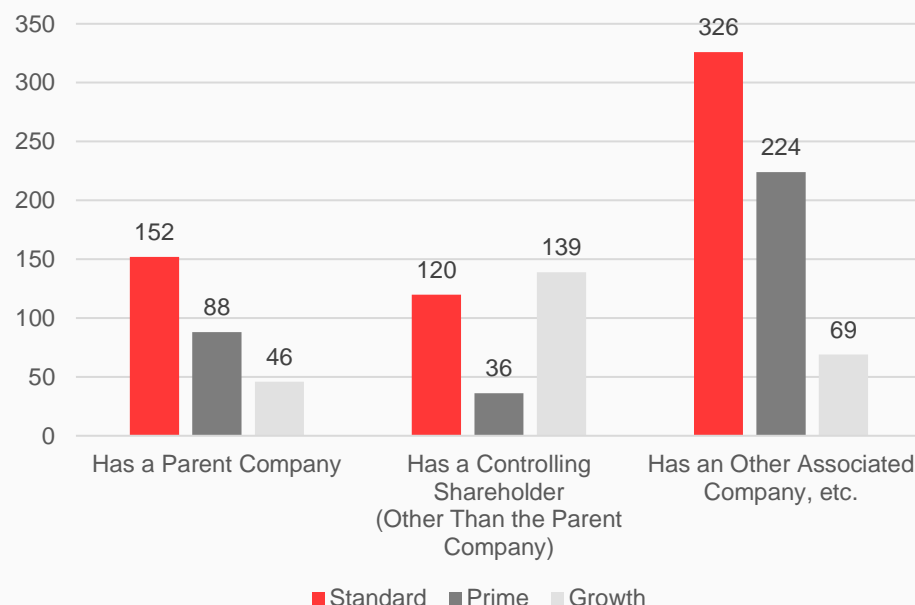


Note: Average daily trading value from August 1, 2024 to July 31, 2025

Shareholder Composition

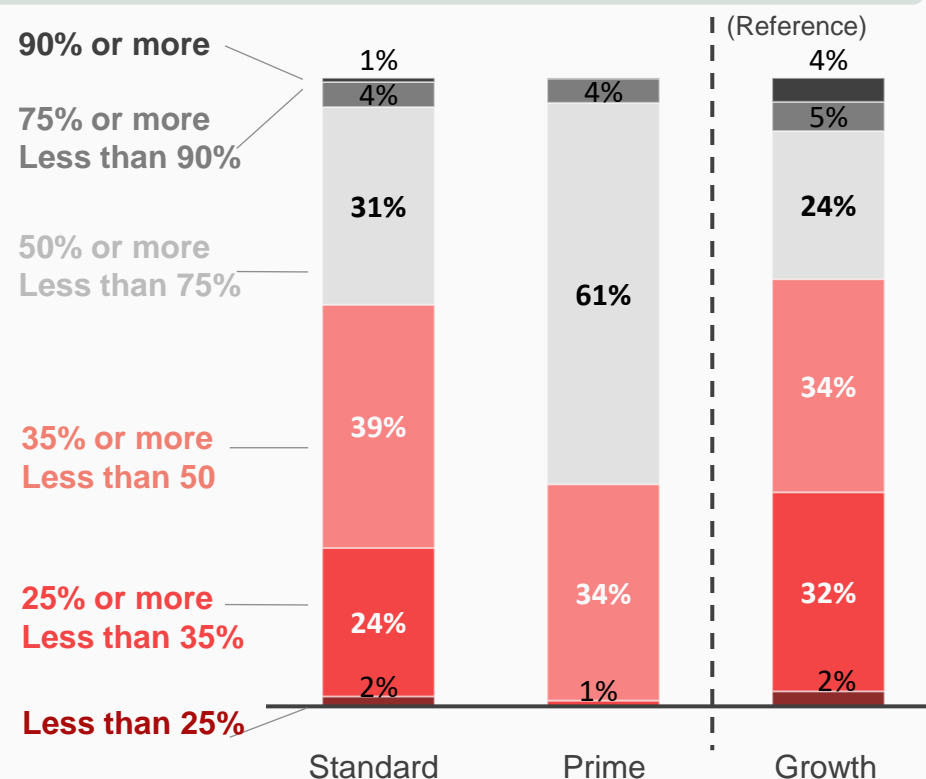
- ◆ Compared to the other markets, the Standard Market has more listed companies with parent companies and more listed companies with other associated companies. It also has many listed companies with controlling shareholders, such as owner-presidents and founding families.
- ◆ In addition, compared to the Prime Market, the Standard Market has a higher percentage of listed companies with low tradable share ratios. This is due to cross-shareholding and other factors.

Number of Companies with Parent Companies, etc.



(Source) The number of companies with parent companies and the number of those with controlling shareholders have been calculated based on each company's CG report. The number of companies with other associated companies, etc. have been estimated based on the disclosure status of each company's "Matters Concerning Controlling Shareholders, etc." (excluding companies that have parent companies or controlling shareholders).

Distribution of Tradable Share Ratios

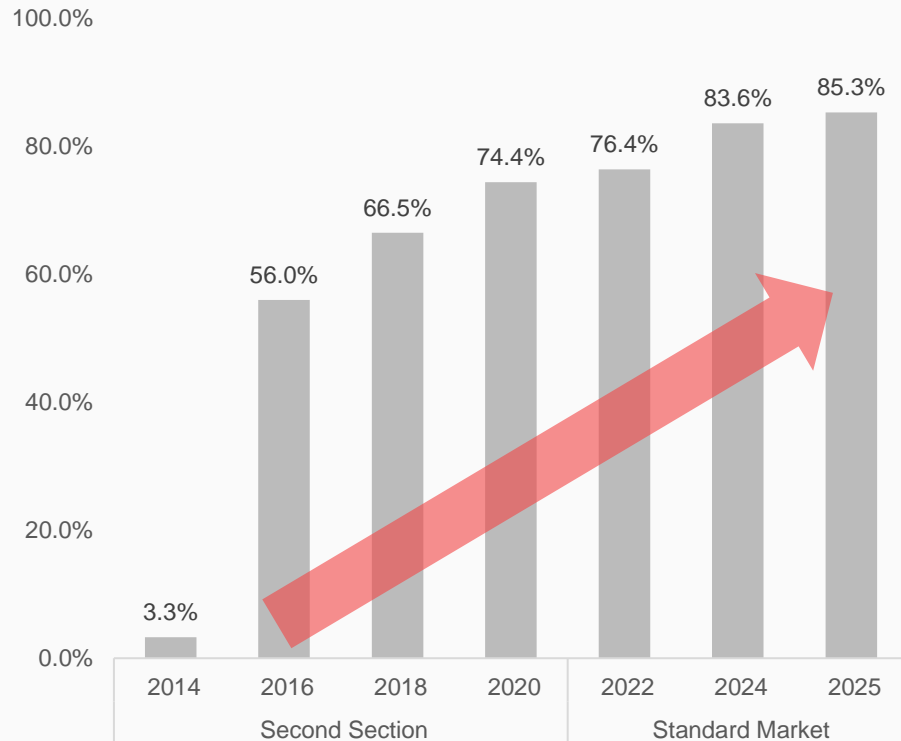


(Source) Calculated as of July 22, 2025 based on each listed company's "Table of Distribution of Stocks, etc." for the fiscal year ended March 2025.

Appointment of Independent Directors

- ◆ Since the establishment of the corporate governance code, listed companies on the Standard Market have made progress in appointing independent directors.
 - Approximately 85% have appointed two or more independent directors, and 59% have appointed one-third or more of their directors as independent directors.

Percentage of Listed Companies That Have Appointed Two or More Independent Directors



Appointment Status of Independent Directors at Listed Companies on the Standard Market (2025)

	Standard Market		Prime Market	
	Number of Companies	Percentage	Number of Companies	Percentage
2 or More	1,339	85.3%	1,616	99.6%
One-Third or More	931	59.3%	1,602	98.8%
A Majority	107	6.8%	425	26.2%
Total	1,569	-	1,622	-

(Source) Calculated based on each company's CG report

2. Views of Market Stakeholders (e.g. Institutional Investors)

- ◆ As they prepare for listing, some companies are considering to make their IPOs on the Standard Market. Against this backdrop, a market stakeholder said that TSE should communicate the appeal of listing on the Standard Market, and a market stakeholder expressed concerns that it could become the new place for companies that believe that the ultimate goal is to get listed.
- Before now, startup companies had not carefully chosen which market to list on. Most of them had set their sights on the Growth Market. **However, with the upcoming revisions to the Growth Market's continued listing criteria, companies are beginning to consider which of the market segments, including the Standard Market, is the most suitable for them based on their rate of growth.** (Securities Company)
 - As the listing criteria and English disclosure requirements **become more stringent for companies on the Prime Market, some companies are considering to make their IPOs on the Standard Market.** (Securities Company)
 - On the other hand, some companies that are considering listing on the Standard Market have expressed **concerns that it is not currently a major listing destination and that listing there may make them appear unattractive.** TSE **needs to clearly communicate the appeal of listing on the Standard Market and its expectations for companies after listing.** (Securities Company)
 - Tokyo Stock Exchange should **avoid giving the impression that the Standard Market serves as a catch-all for companies that cannot list on the other market segments.** Instead, **it should clearly articulate the kinds of companies that it wants to be listed there.** (Securities Company, Audit Firm)
 - Some market stakeholders are **concerned that if the criteria for the Growth Market are raised, the Standard Market, which has more lenient listing criteria, could become solely a place for companies that believe that the ultimate goal is to get listed and a place for the pre-IPO shareholders to exit by selling their shares.** In some cases, it may be more appropriate for companies to delay listing rather than to be easily persuaded into listing on the Standard Market with low liquidity. (Securities Company)

- ◆ While listed companies on the Standard Market are gradually recognizing the need to engage with shareholders and improve their corporate value, many of them lack a sense of urgency due to such factors as lax continued listing criteria, the existence of a major shareholder, or low liquidity (trading volume), which makes it hard to attract investors.

- In the Standard Market, the disclosure rate is lower than in the Prime Market. However, **amid such environmental changes as the reduction in cross-shareholdings, the increased risk of becoming the target of a hostile takeover, and the rise in shareholder activism, the companies listed there are gradually beginning to see the need for consideration.** In particular, it is easier for companies to begin considering after they have conducted IR or spoken with investors, and their management starts to feel a sense of urgency. (Trust Bank)
- On the other hand, **many companies lack a sense of urgency if a major shareholder (e.g., a parent company or owner) holds most of their shares or if they have low liquidity and receive little market attention.** The Standard Market has come to resemble a safety net for companies unable to maintain listing on either the Prime Market or the Growth Market. (Domestic Institutional Investor, Trust Bank)
- Currently, the top-ranking companies in the Standard Market are in **the most comfortable position. They are not strictly regulated, and they are included in TOPIX.** TSE should continue to make the necessary demands and not lower the bar too much. (Overseas Investors)
- Companies with a market capitalization of several billion yen **are not concerned about violating the continued listing criteria.** Unless they are faced with external pressure such as an encounter with shareholder activists, **they feel little need to engage with the capital market.** They believe that they are fine as long as they are performing better than their peers. **This does not lead them to make substantive efforts to improve their corporate value.** (Trust Bank)
- Even companies with business structures that make rapid growth difficult to achieve must devise their own ways to improve productivity and strengthen their cash generation capabilities. To encourage this, **there needs to be a way to keep listed companies on their toes.** (Domestic Institutional Investor, Trust Bank)

- ◆ Regarding companies' responses to TSE's request to implement management that is conscious of cost of capital and stock price, many companies are still analyzing the current situation and have not yet begun to discuss specific efforts to improve their capital profitability. In addition, many companies face the challenge of crafting their growth stories because their markets are limited in size.

- There are companies in the Standard Market whose disclosure status is "Not Disclosed" or "Under Consideration." Many of those companies are still **analyzing the current situation and trying to grasp their costs of capital. They have not yet begun to discuss how to improve their capital profitability.** (Trust Bank)
- In addition, at many companies, their corporate departments recognize the need to make efforts but are **struggling to change the mindsets of their business departments and the executives that hail from such departments who prioritize profit and loss indicators such as sales and profits.** (Trust Bank)
- Many of the companies in the Standard Market are at the top of their respective niches. **However, they face the challenge of crafting sustainable growth stories because their markets are so small.** Some say that they are trying to conduct IR but are struggling to develop appealing growth strategies. (Trust Bank)
- In the Standard Market, **there are very few companies that would like to have contact with investors. This is a big problem, and it shows that not many companies are aware of the capital market.** (Domestic Institutional Investor)
- **Some companies are considering going private** by being acquired by other companies, **but many of them do not go through with it because of the lax continued listing criteria and the lack of pressing circumstances.** (Trust Bank)

- ◆ A market stakeholder commented that companies with major shareholders are not managed in a way that takes their minority shareholders into consideration. In addition, a market stakeholder expressed concern about the effectiveness of outside directors even though the percentage of them has significantly increased.
- The Standard Market is home to many companies with major shareholders. However, my impression is that **they are not managed in a way that takes their minority shareholders sufficiently into consideration.** This should not be tolerated. (Domestic Institutional Investor)
- Some owner-managed companies say that they do not want to increase dividends because it would raise their taxes and that **they do not want to raise their stock prices because inheritance taxes are tied to the prices of their listed shares. They are not interested in increasing their corporate value, and this creates conflicts of interest with their minority shareholders.** (Trust Bank)
- While the percentage of outside directors has significantly increased, **their actual effectiveness varies greatly from company to company.** Many of them remain in advisory roles, and **a key challenge going forward is whether they will be able to hold discussions on an equal footing with management.** (Overseas Investors)
- Regarding the effectiveness of outside directors, we expect that individuals with experience in improving corporate value will **oversee the progress of business portfolio reviews and of other reforms.** (Domestic Institutional Investor)
- In many cases, we have no way of verifying the effectiveness of outside directors. **We request to speak with them about such issues as the effectiveness of their companies' governance systems or the protection of their companies' minority shareholders, but our requests are still frequently rejected.** (Overseas Investors)
- TSE should **reconsider whether its independence criteria are appropriate as a minimum standard.** In practice, companies rely on such criteria and believe that everything will be fine as long as they are in compliance. In one case, a company claimed that **an individual was independent even though that individual belonged to a major shareholder holding approximately 30% of the company's shares.** (Domestic Institutional Investor, Overseas Investors)

3. Matters for Discussion

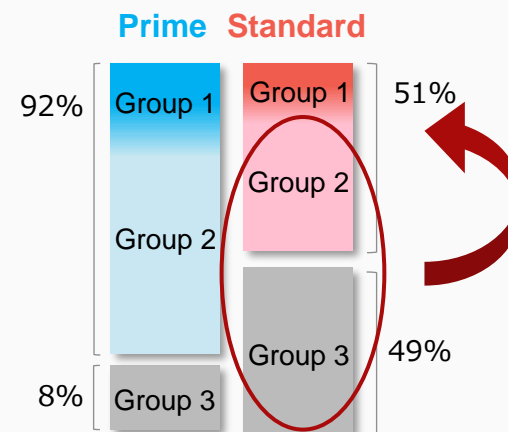
- The Standard Market is the core market of TSE's three market segments. It is a necessary and vital market that serves as an infrastructure for hosting a variety of listed companies.
- However, as TSE proceeds with its reforms to make the Prime Market for “global” companies and the Growth Market for companies with “high growth potential,” it risks giving the unfortunate impression that the Standard Market is for companies that fit neither description. The challenge facing TSE is how to enhance the Standard Market's appeal.
- What are some approaches that TSE could take in order to increase the number of companies in the Standard Market that are proactively making efforts to enhance their corporate value? (e.g., how to convince companies preparing for their IPOs to consider the Standard Market as an option, how to increase the visibility of companies making proactive efforts)
- What are some approaches that TSE could take in order to ensure that companies on the Standard Market fulfill their fundamental responsibilities as listed companies?
- Possible approaches:
 - Promoting management that is conscious of cost of capital and stock price and investor relations (IR)
 - Promoting the consideration of group management in cases of parent-subsidary listings and the protection of minority shareholders
 - Improving liquidity and distribution
 - Ensuring the effectiveness and independence of independent directors
 - Continued listing criteria (including whether revisions are necessary)

- ◆ With the review of the Growth Market, companies preparing for listing and companies listed on the Growth Market are considering listing on the Standard Market, so there is also considerable interest from companies and investors regarding the future direction of the Standard Market.
 - ◆ The Standard Market is for **companies that maintain the basic levels required as listed companies**, so we require them to fulfill their **basic responsibilities as listed companies, such as protecting minority shareholders**, and we continue to promote **management that is conscious of cost of capital and stock price as well as the enhancement of IR**.
 - ◆ In addition, we will **actively promote the Standard Market as a listing option with the aim of making it a market for companies that** do not have characteristics such as “global” or “high growth potential” but **aim for stable growth** in response to social needs.
- ⇒ We would like to hear your thoughts on the future direction of the Standard Market.

(Reference: Opinions thus far from follow-up meetings)

- I expect that the number of companies in the Standard Market will increase due to the Growth Market’s revised continued listing criteria and the end of transitional measures. However, I think it is necessary to consider whether we should do nothing as a destination or make improvements.
- In the Standard Market, the disclosure rate under the management that is conscious of capital cost and stock price initiative stands at only 38%, so it may be necessary to consider how to increase disclosure rates and strengthen initiatives.
- There are suspicions that some companies in the Standard Market are not fulfilling their minimum obligations as listed companies, such as protecting minority shareholders and disclosing information, so it is necessary to again clarify the minimum obligations that must be fulfilled.

Status of Actions Related to Cost of Capital Request



* Based on feedback from investors