

Measures in Relation to Revision to the Growth Market's Continued Listing Criteria

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Measures in Relation to Revision to the Growth Market's Continued Listing Criteria (1)

In relation to Revision to the Growth Market's Continued Listing Criteria, as below, we revised the Preparation Guidelines for “Disclosure of a Business Plan and Matters Related to High Growth Potential”, and the New Listing Guidebook - Growth Market.

○ Revisions to the Preparation Guidelines for “Disclosure of a Business Plan and Matters Related to High Growth Potential” (Additions in Red)

■ Business Plan (1) Growth Strategy

- If the market capitalization is less than JPY 10 billion, please consider your growth strategy and specific measures to achieve it, keeping in mind compliance with the new continued listing criteria to be applied from 2030 (market capitalization of JPY 10 billion or more after five years of listing).

○ Summary of Revisions to the New Listing Guidebook - Growth Market (Additions in Red)

I About Listing

1. Points to Consider for an Initial Listing

Generally, listing shares is said to have benefits such as facilitating and diversifying fundraising, enhancing social credibility and recognition, strengthening internal management systems, and boosting the morale of officers and employees. On the other hand, because the shares of a listed company become investment targets for an unspecified number of investors, new responsibilities arise after listing, including timely and appropriate disclosure of corporate information and compliance with standards that listed companies are required to observe, from the perspective of investor protection.

Furthermore, listing shares is merely a means to enhance corporate value. Shareholders and investors expect that, taking the opportunity of an initial listing, the company will actively pursue initiatives aimed at further improving corporate value after listing.

When considering an initial listing, it is important to be mindful of fulfilling the responsibilities of a listed company and to carefully examine the optimal timing and market for listing in light of your medium- to long-term growth strategy, as well as how you will leverage the listing to enhance corporate value after listing (i.e., what is the purpose of listing shares).

It is also essential to proactively disclose and explain these considerations to investors at the time of listing.

Measures in Relation to Revision to the Growth Market's Continued Listing Criteria (2)

○ Summary of Revisions to the New Listing Guidebook - Growth Market (Additions in Red)

2 Market Segments of Tokyo Stock Exchange (TSE)

(1) Mechanism for Initial Listing (omitted)

(2) Follow-up of Market Segments Restructuring

In April 2022, TSE revised its market segmentation with the aim of supporting listed companies in their autonomous efforts to enhance corporate value, and launched the operation of the Prime Market, Standard Market, and Growth Market mentioned above. To further improve the effectiveness of this market segmentation review, TSE established the “Council of Experts Concerning the Follow-up of Market Restructuring” in July of the same year and, based on discussions at that meeting, has been implementing various measures in each market segment.

Among these, the Growth Market is a market where high growth after listing is expected. To ensure that it becomes “a market where companies aiming for high growth gather,” TSE is promoting measures such as revising the continued listing criteria (in principle, from 2030 onward, market capitalization of JPY 10 billion or more after five years of listing), encouraging “management that strives for high growth,” and providing support for companies striving for high growth.

In this context, companies considering an initial listing on the Growth Market are expected to carefully examine their growth strategies to achieve high growth after listing, taking into account “Investors’ expectations for Growth Market-listed companies.” As noted on page 3, it is also important to consider how to leverage the initial listing to realize such growth strategies, what timing would be appropriate for listing, and whether another market segment might be more suitable for the company’s growth.

- For details on TSE’s initiatives for the Growth Market, please refer to the following website:

<https://www.jpx.co.jp/english/equities/follow-up/03.html>

- For information on “Investors’ expectations for Growth Market-listed companies,” please refer to the following document:

<https://www.jpx.co.jp/english/equities/follow-up/dh3otn0000007e82-att/sjcobq00000285cf.pdf>

Measures in Relation to Revision to the Growth Market's Continued Listing Criteria (3)

○ Summary of Revisions to the New Listing Guidebook - Growth Market (Additions in Red)

2 Frequently Asked Questions and Answers Relation to Determination of High Growth Potential

Considerations which the lead underwriter should make when discussing the basis to determine that the applicant has high growth potential are addressed in the Q&A form below (since the Q&A has been made to illustrate key points, it may have to be modified in consideration of characteristics of the applicant).

Q1: Are there any measures by which the applicant is determined to be high growth potential?

A1: In general, the degree or level of growth (including period required for growth or growth rate) of a company varies depending on the industry or characteristics of the business of the company. Therefore no numerical thresholds have been set as indicators to determine high growth potential. **However, in the Growth Market, to encourage growth after listing, in principle, new continued listing criteria will apply from 2030 onward (market capitalization of JPY 10 billion or more after five years of listing). Accordingly, when the lead underwriter evaluates the growth potential of a company seeking to list with a market capitalization of less than JPY 10 billion, the evaluation should take into account compliance with these continued listing criteria.**

(omitted)

Q5: Based on the new continued listing criteria to be applied from 2030 (market capitalization of JPY 10 billion or more after five years of listing), what actions are required of applicant companies?

A5: Companies considering an initial listing on the Growth Market are expected, regardless of market capitalization size, to thoroughly examine their growth strategies to achieve high growth after listing, as noted on page 5.

In particular, if the company plans to list with a market capitalization that may risk breaching the continued listing criteria (e.g., less than JPY 10 billion), it is required to carefully discuss growth strategies and specific measures after listing to ensure compliance with these criteria at the board of directors and other relevant bodies, and to proactively disclose and explain these considerations to investors.

In addition, depending on the level of market capitalization at the time of listing, it may be appropriate to disclose potential risks of breaching the continued listing criteria in the future. During the listing examination, the discussions at the board of directors and other bodies, as well as the status of explanations and disclosures to investors regarding compliance with the continued listing criteria, will be reviewed.