

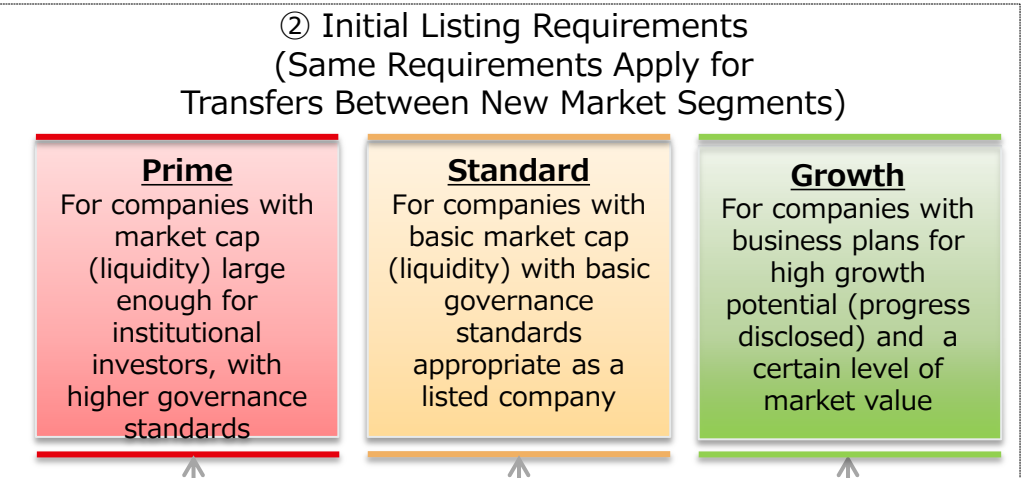
# Overview of the Market Structure Review and Outline of the New Market Segments (Summary)

## <Purpose of the Restructure>

- Existing Market Sections will be restructured to three segments, based on a clear market concept
- ⇒ To provide a Cash Equity Market that incentivizes listed companies' sustainable growth and mid-to long-term corporate value creation and thereby further attract various types of investors, both domestic and foreign

## <Basic Concept of the New Market Segments>

※Names are tentative



- Listing requirements for each market segment set market capital (liquidity), corporate governance and other criteria in accordance with the market concept
- For Initial Listing and Continued Listing, basically the requirements are the same (same standard applies)
    - ✓ Listed companies are required to meet the same level of standard as initial listing, after listing
  - Each market segment is independent, thus there will be no special lowered requirements for transfer between segments
    - ✓ Listed companies, if they wish to, can apply to transfer to another segment, and will be subject to same level of process and requirements as for an initial listing

## <Outline of the New Listing Requirements>

Segment	Concept	Requirements (Excerpts) (※1)
Prime	<ul style="list-style-type: none"> <li>Ample liquidity investable for various types of institutional investors</li> <li>Effective basis for constructive dialogue with institutional investors</li> <li>Stable and excellent revenue/financial base</li> </ul>	<ul style="list-style-type: none"> <li>Tradable Share Market Cap. JPY 10 bn., Trading Value Avg. JPY 20 mn./day</li> <li>Tradable Share Ratio 35%, All Principles of CG Code (※2)</li> <li>Profit JPY 2.5 bn. (Total of previous 2 years) OR Income JPY 10 bn. &amp; Market Cap JPY 100 bn.</li> </ul>
Standard	<ul style="list-style-type: none"> <li>Enough liquidity for smooth trading</li> <li>Basic level of governance</li> <li>Stable revenue/financial status</li> </ul>	<ul style="list-style-type: none"> <li>Tradable Share Market Cap. JPY 1 bn.</li> <li>Tradable Share Ratio 25%, All Principles of CG Code</li> <li>Profit JPY 0.1 bn. (Previous year)</li> </ul>
Growth	<ul style="list-style-type: none"> <li>Appropriate investment decisions on high growth potential</li> <li>Minimum liquidity for public investors</li> <li>Governance in accordance with growth stage</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable "Business Plans" and continual disclosure of progress after listing</li> <li>Tradable Shares Market Cap. JPY 0.5 bn.</li> <li>Tradable Shares Ratio 25%</li> </ul>

(※1) Definition of "Tradable Share" to be re-examined to exclude illiquid shares (\*For example, cross-shareholdings could be considered illiquid shares)

(※2) Revised CG Code expected to indicate higher standard appropriate for Prime

## <Transition Process for Listed Companies>

- Listed companies are to choose their new market segment based on market concept and listing requirements
  - ✓ Different application forms for each segment e.g. for Prime & Standard, CG Report required, and Growth, Business Plans required
  - ✓ Grandfathering applies to companies that don't meet the "continued listing requirements" of their chosen segment, on the condition that they submit and disclose plans to meet those continued listing requirements

Current	New	Applicable Grandfathering (※)
1 <sup>st</sup> Section	Prime	<ul style="list-style-type: none"> <li>For the time being, same level of criteria for transfer from 1<sup>st</sup> section to 2<sup>nd</sup> section will be used as the continued listing requirement</li> </ul>
2 <sup>nd</sup> Section·JQ Standard	Standard	<ul style="list-style-type: none"> <li>For the time being, same level of current delisting criteria to be used as the continued listing requirement</li> </ul>
Mothers·JQ Growth	Growth	<ul style="list-style-type: none"> <li>For the time being, same level of current delisting criteria to be used as the continued listing requirement</li> </ul>

(※) Though there is no concrete plans as of this point, depending on future circumstances, if necessary, grandfathering conditions will be reconsidered

# Planned Schedule

- To achieve smooth transition, firstly, current rules for initial listing requirements and market transfer requirements will be revised in accordance with the listing requirements for the new market segments.
- Thereafter, taking into consideration the details of the requirements for the new market segments and Corporate Governance Code to be revised, listed companies will choose a new market segment for listing.
- As of this time, the target date for transitioning to new market segment is April 1, 2022.

## <Schedule>

Time	Item	Note
March 2020	Outline of Revision Published (Revision of the current listing rules and requirements) ※Public Comment	<ul style="list-style-type: none"> <li>■ Initial listing requirements and market transfer requirements revised</li> </ul>
July	Revision of the Current Requirements (Effective)	<ul style="list-style-type: none"> <li>■ After the revision, newly listing companies will apply for IPOs in compliance with standards close to the listing requirements of the new market segments</li> </ul>
By the end of 2020	Outline of Revision Published (New Requirements for the New Market Segment) ※Public Comment	<ul style="list-style-type: none"> <li>■ Details of the listing requirements for the new market segments</li> <li>■ Details of the transition process for listed companies</li> </ul>
After Spring 2021	Revision of the Corporate Governance Code	<ul style="list-style-type: none"> <li>■ Higher standards for the Prime Market to be included</li> </ul>
End of June 2021	Base Date for Transition: Date for evaluation of listed companies' status in relation to new market segment standards	<ul style="list-style-type: none"> <li>■ Whether listed companies have met the continued listing criteria of the new market segments or not will be confirmed at the end of June, with notification provided to companies around the end of July</li> </ul>
Sep. – Dec. 2021	Listed Companies to choose their market segment	<ul style="list-style-type: none"> <li>■ Market segments to be chosen based on the listing requirements and revised CG Code</li> <li>■ Plans to meet the continued listing requirements submitted by listed companies (publicly disclosed)</li> </ul>
April 2022	New Market Segment (transition)	<ul style="list-style-type: none"> <li>■ Transition completed</li> </ul>