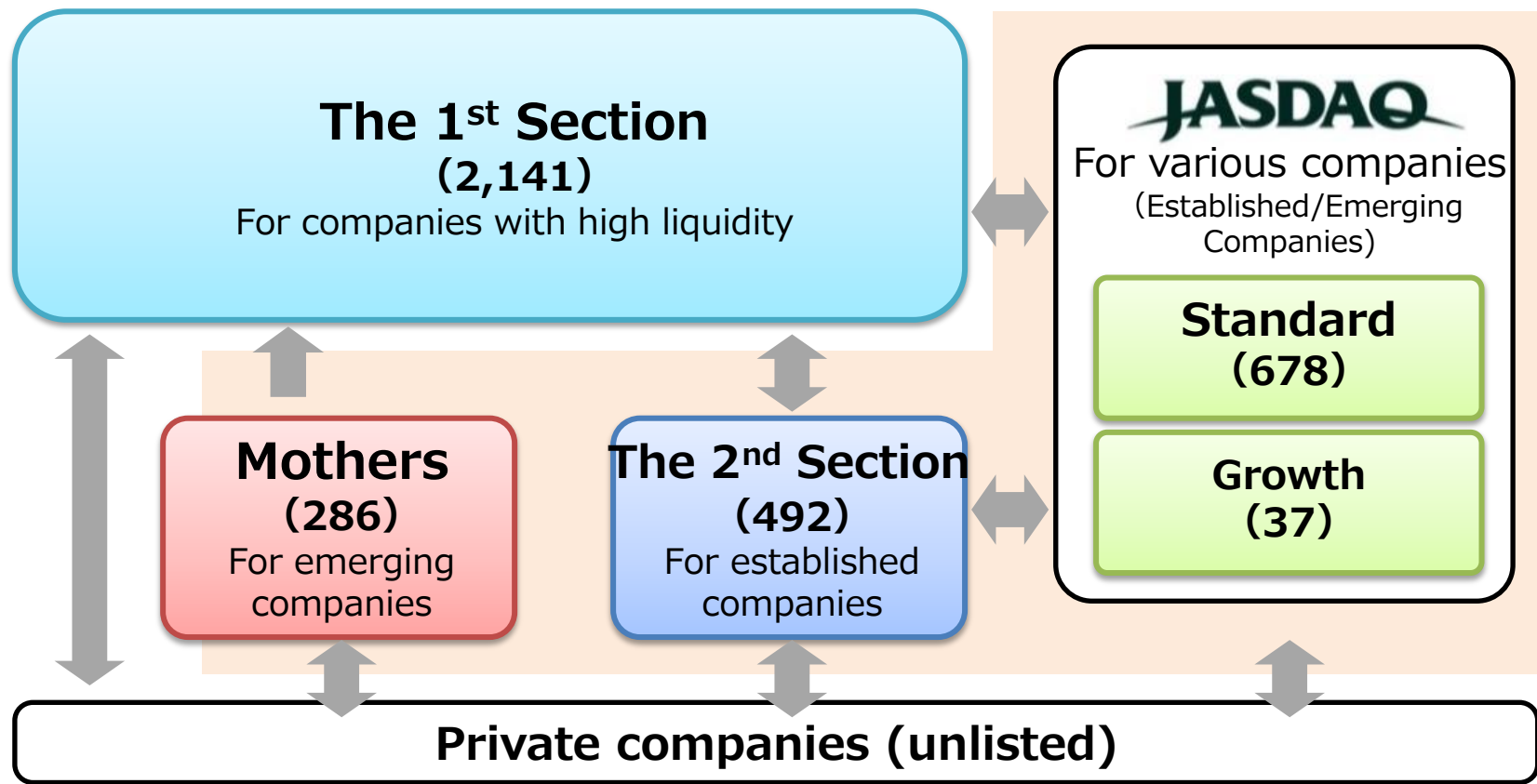


**Comments Received from Market Participants in
Response to the Review of the TSE Cash Equity
Market Structure
(Additional Material)**

May 2019

Current Market Structure

■ The market structure (i.e. the 4 market segments), has been kept unchanged since the TSE-OSE cash equity market integration in 2013



Note: number in () shows the # of listed companies in each section as of April 2019

Number of IPOs

- Since the integration of the cash equity markets, many companies have listed on Mothers, and the 2nd Section
- JASDAQ have continued to have some IPOs (No listings on JASDAQ Growth after market integration)

	1 st Section	2 nd Section	Mothers	JASDAQ Standard (Growth)	Total
2003	5	12	31	62	117
2004	8	14	55	71	164
2005	7	11	36	65	141
2006	13	16	40	56	162
2007	5	7	22	49	108
2008	2	5	12	19	47
2009	1	5	4	8	19
2010	4	2	6	10	22
2011	2	7	11	16	36
2012	2	5	23	14	44
2013	6	<u>6</u>	<u>29</u>	<u>12 (0)</u>	53
2014	10	<u>10</u>	<u>44</u>	<u>11 (0)</u>	75
2015	8	<u>9</u>	<u>61</u>	<u>11 (0)</u>	89
2016	8	<u>5</u>	<u>54</u>	<u>14 (0)</u>	81
2017	11	<u>8</u>	<u>49</u>	<u>18 (0)</u>	86
2018	7	<u>5</u>	<u>63</u>	<u>14 (0)</u>	89

Number of Years in Business at the Time of IPO

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding market segment
 a. Roles and functions of the current market divisions are overlapping and confusing.

Number of years of business operation at the time of IPO (※ 1) (※ 2)

Market Segment/ Number of years of business	2 nd Section	J A S D A Q Standard	Mothers
Less than 5 yrs.	17%	7%	11%
5 yrs.~10 yrs.	5%	9%	32%
10 yrs.~15 yrs.	5%	22%	34%
15 yrs.~20 yrs.	2%	11%	13%
More than 20 yrs.	71%	51%	10%
(Average)	37 yrs.	24 yrs.	11 yrs.
<u>(Medium)</u>	38 yrs.	20 yrs.	11 yrs.

- ※ 1 After market integration in 2013 until Feb of 2019
 ※ 2 Based on the date of establishment of the company on the record

Listing Requirement for Emerging Companies (Comparison with other markets)

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of market environment for start-up companies
 b. Companies to be listed on the market.

	Mothers	N A S D A Q (Capital)	H K E X (G E M)	S G X (Catalyst)
shareholders	200	300	100	200
Tradable shares	# : 2,000 units Market Cap. : 0.5 bil. Ratio : 25% (※)	Common : # 1 mil. shares ① Tradable shares Market Cap. \$1.5 mil. & Shareholder equity \$5bil. & business continuity 2yrs OR	Market Cap : 30 mil.HK\$ Ratio : 25% (basic)	Ratio : 15%
Shareholder equity	—	② Tradable shares Market Cap. \$1.5 mil. & Shareholder equity \$4 mil.& Market Cap. \$ 50 mil. OR	—	—
Market Cap.	<u>1 bil.</u>	③ Tradable shares Market cap. \$ 5 mil. & Shareholder equity 4 mil. & profit amount \$ 0.75 mil. for the recent 1 yrs or 2 yrs of the recent 3 years	① Market Cap. 0.1 bil.HK\$ OR ② cash flow recent 2 yrs 20 mil. HK\$	—
Profit amount or Market Cap.	—			—
# of years of business operation	1 year		2 yrs	—
Public offering	500 Units	—	—	—
Other	No False Statements etc.	Share price : \$ 4 , # MM : 3	Recent 2 yrs, same management and recent 1 yr, no change in ownership	Sponsor

From websites of respective stock exchanges

(※) TSE Listing Rule “Definition of Tradable Shares” Securities Listing Regulations Art.2 (96)

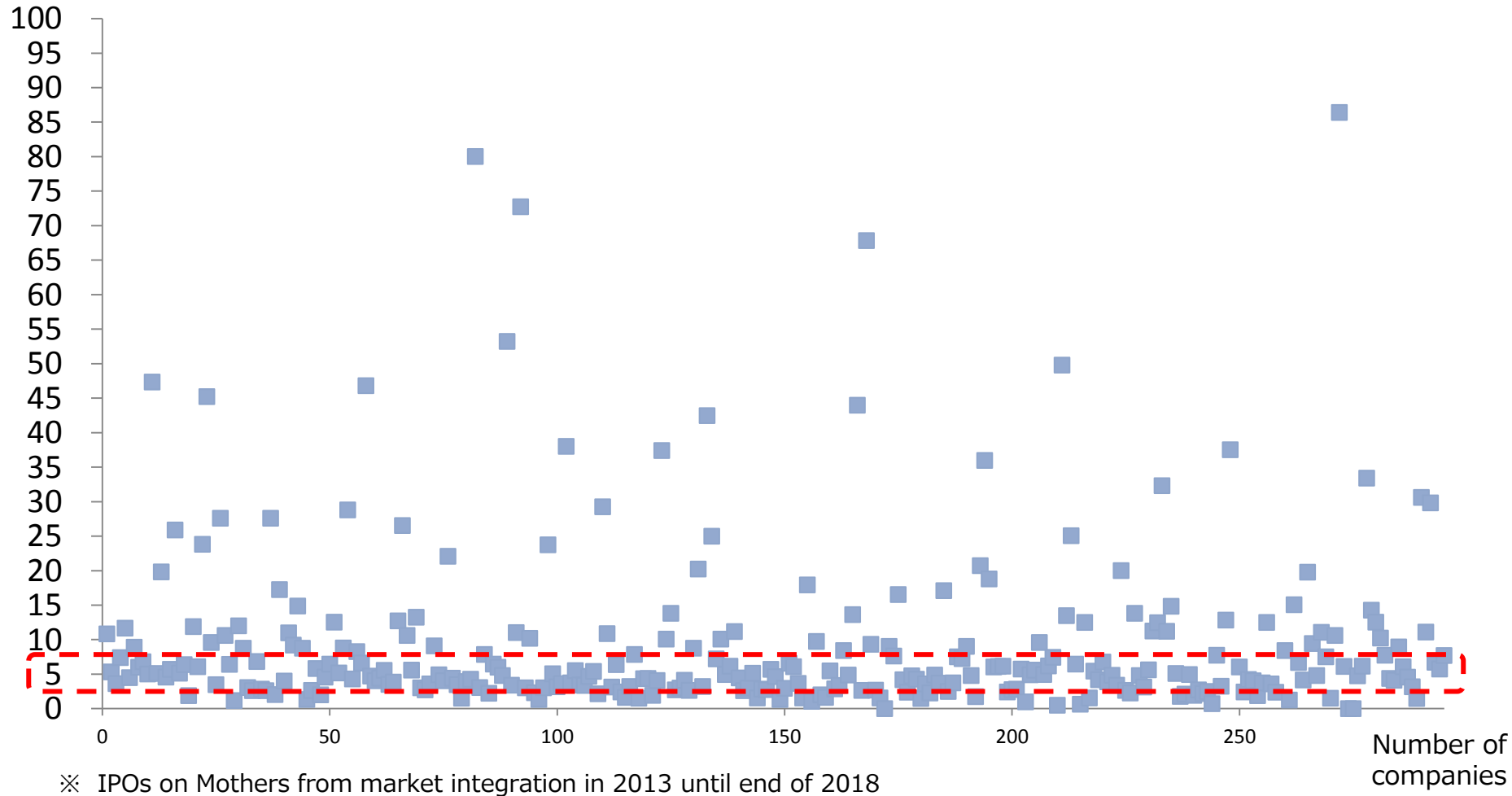
Tradable shares means shares excluding shares as prescribed by the Enforcement Rules as securities held by entities who individually hold 10% or more of the total number of such security, out of the securities pertaining to an initial listing application for or listed securities or any other securities, the circulation of which is poor (※e.g. person with special interest, such as directors, and issuer).

Capital Raised by Listed Companies (Mothers)

■ Average amount of capital raised at IPO on Mothers is about 0.5 bil. JPY

Amount of capital raised at each IPO on Mothers

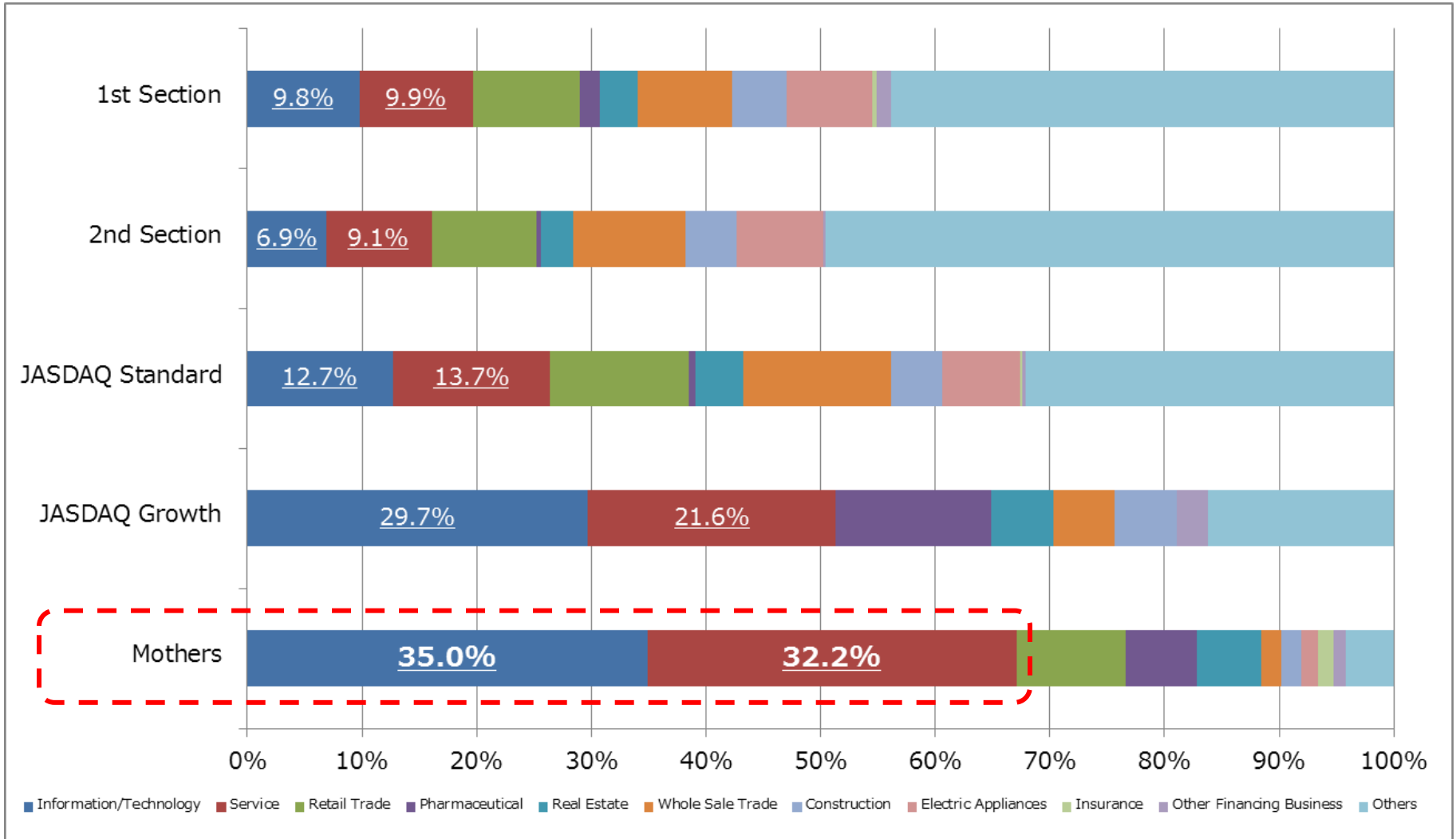
Amount of capital raised (0.1 bil. JPY)



Industry Sectors of Listed Companies (Mothers)

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of market environment for start-up companies
 c. Listing opportunities for investment-intensive companies

■ About 67% of the companies listed on Mothers are in the Information/Technology sector or the Service sector



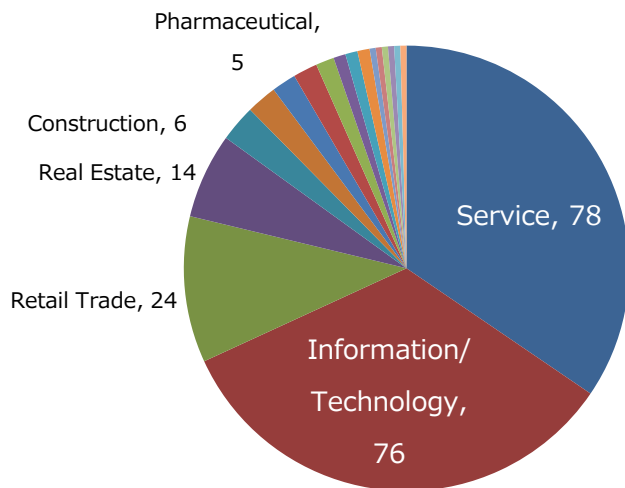
Industry Sectors of Recent IPOs

■ Many IPOs listed on Mothers and JASDAQ are in the Service or Information/Technology sectors

(IPOs in 2015- 2018)

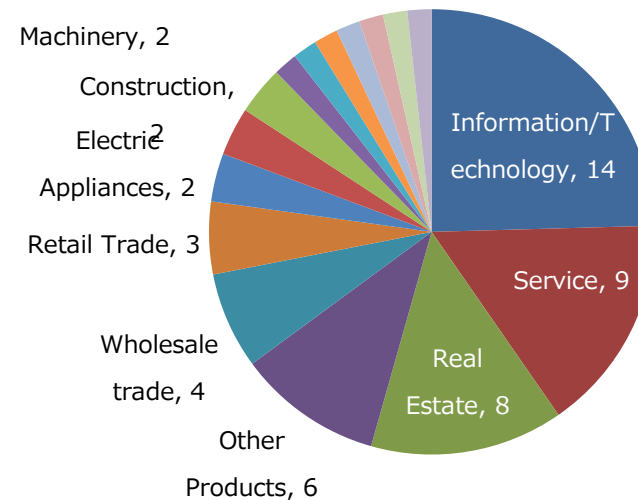
Mothers (# of companies 226)

【Other sectors (total # of companies 23)】
 Other Financing Business, Whole Sale Trade: 4 each
 Insurance: 3
 Other Products, Machinery, Metal Products: 2 each
 Foods, Precision Instruments, Warehousing and Harbor
 Transportation Service, Electric Power and Gas, Electric
 Appliances, Nonferrous Metals: 1 each



JASDAQ (# of companies 57)

【Other sectors (total # of companies 8)】
 Iron and Steel, Precision Instruments, Foods,
 Securities and Commodities Futures, Chemicals,
 Pharmaceutical, Other Financing 1 each

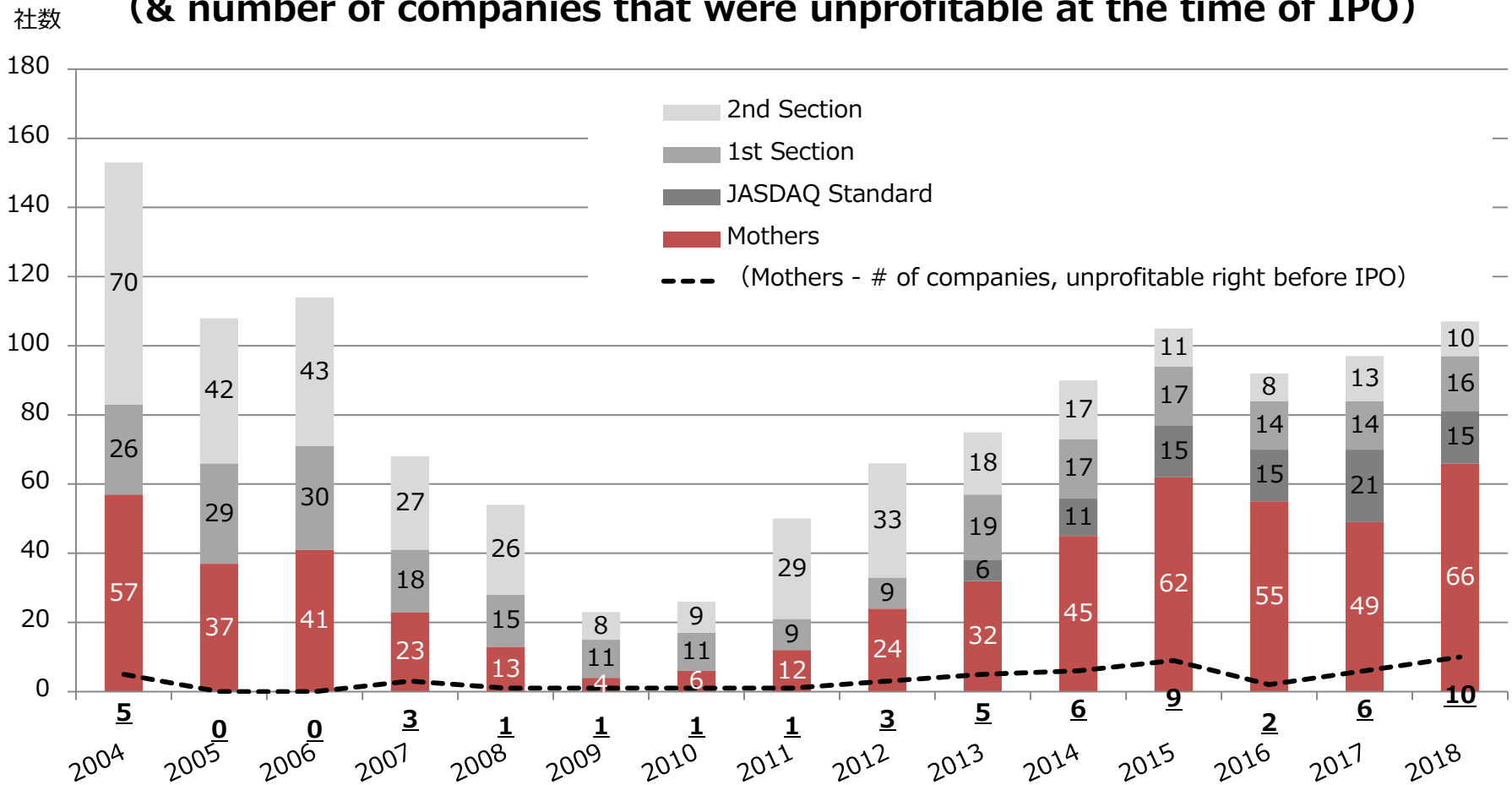


Number of Companies Unprofitable right before IPO

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of market environment for start-up companies
 c. Listing opportunities for investment-intensive companies

Number of IPOs at TSE

(& number of companies that were unprofitable at the time of IPO)



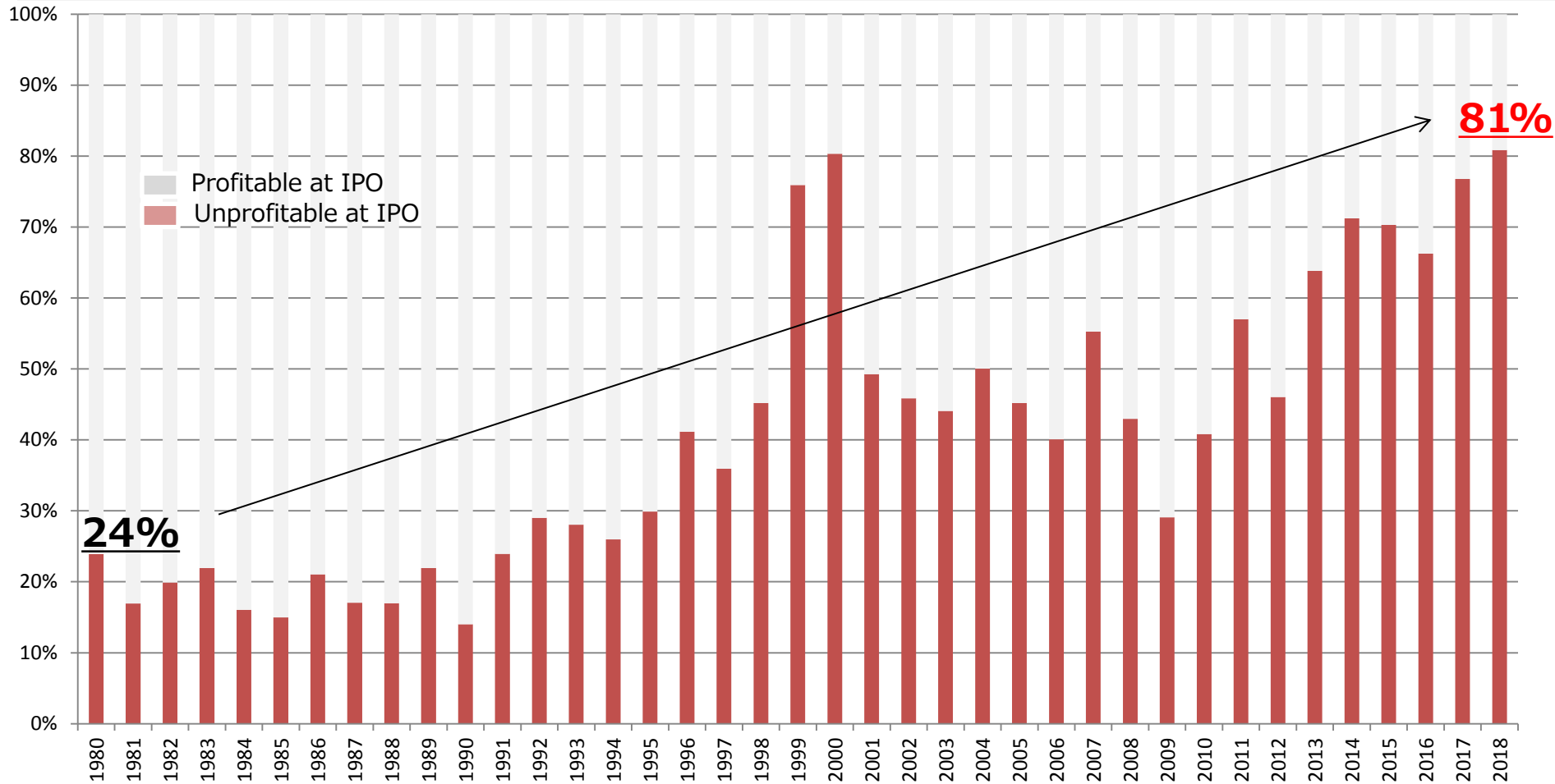
Note : Including Technical listing

In Japan, unprofitable companies account for about 4% of the total IPO companies from 2004 - 2018
 (Such as ACSL, Delta – Fly Pharma etc.)

Ratio of Unprofitable Company IPOs in the U.S.

1. Issues Regarding the Current Market Structure
(1) The Concept of Market Segments
Responses regarding the current state of market environment for start-up companies
c. Listing opportunities for investment-intensive companies

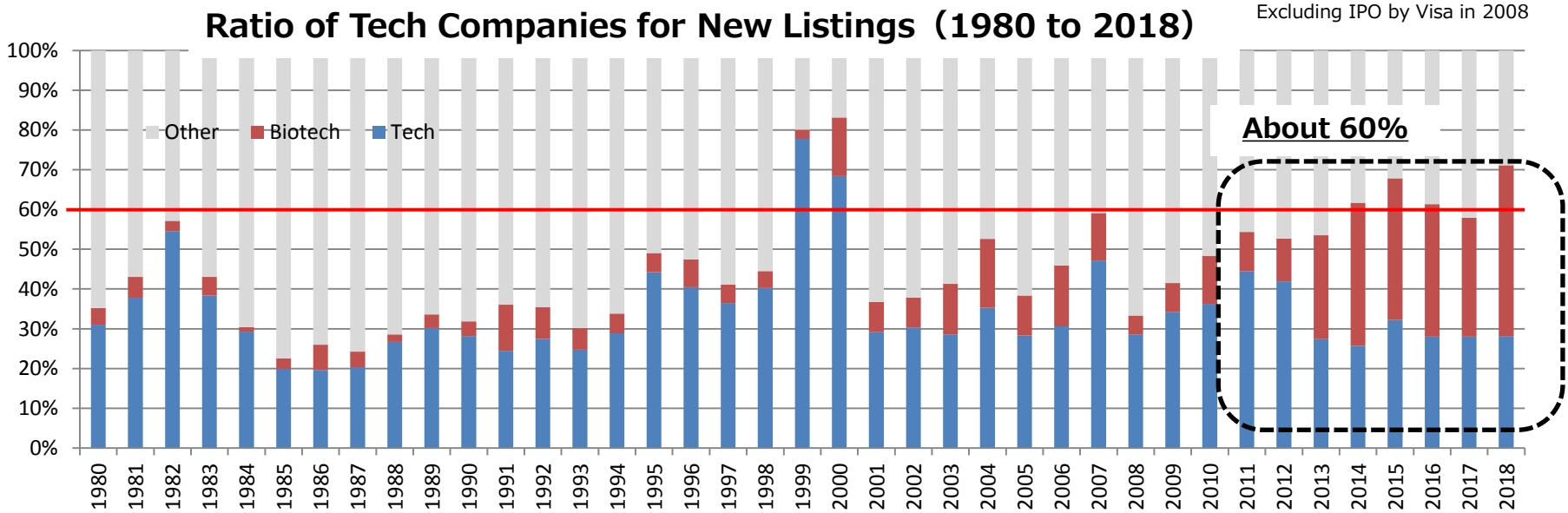
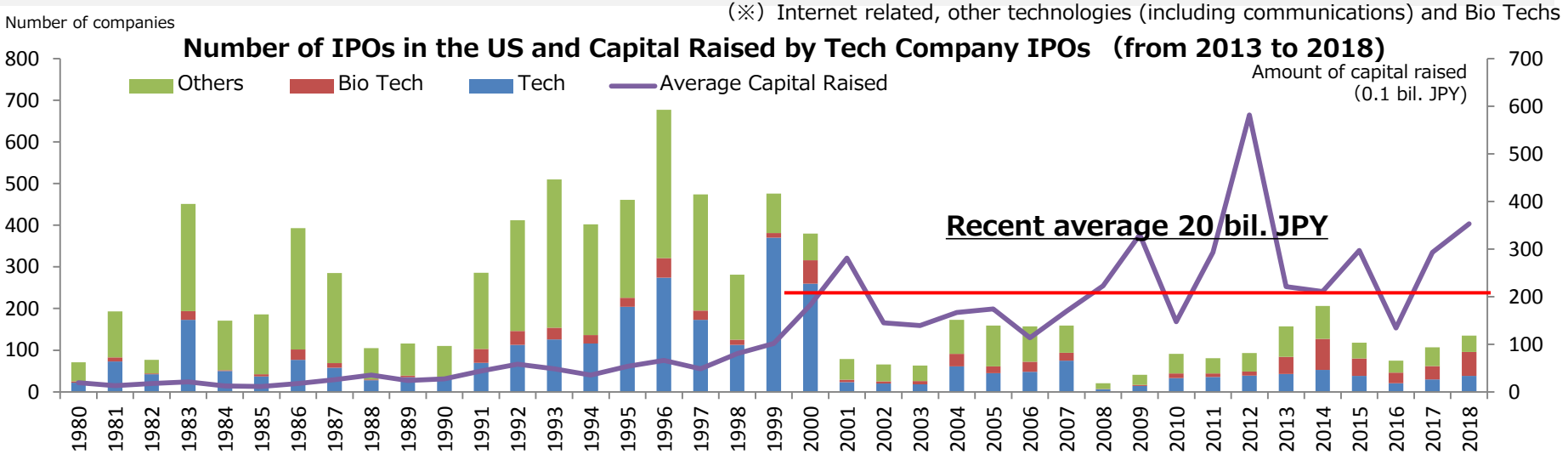
Tech companies are investment-intensive companies and therefore tend to be unprofitable (ratio increasing every year in the U.S.)



IPOs in the U.S.

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of market environment for start-up companies
 c. Listing opportunities for investment-intensive companies

■ In the U.S., about 60% of IPOs are tech companies (※) , average capital raised is about 20 bil. JPY



From University of Florida Prof. Jay Ritter IPO data

■ In Hong Kong and Singapore, exchanges have listing criteria for investment-intensive companies (specifically, for Biotechs)

Hong Kong

Bio companies that do not meet the financial requirement

- Introduced Listing Criteria for Good Quality, High Growth & Innovative Biotechs
- **Requires Meaningful Investment from Sophisticated Investors**
- ✓ the exchange determines who is considered a “Sophisticated Investor” (AUM, investment experience, knowledge, etc.)
- ✓ the exchange determines what is “Meaningful” (1-5% of total market cap., at least 1.05 bil. JPY)
- ※Market Cap. under 3 bil. HK\$ 5%, 8 bil. HK\$ 3%, others 1%
- ※Other requirements include, progress on the clinical trial (completion of Ph. 1, no objection from authorities against Ph. 2 and onwards (clinical trial on people), more than 1 yr. of R&D and 2 yrs. of business, **high market cap requirement (more than 21 bil. JPY)**, no change in core business, investment from outside more than 6 months prior to listing

Singapore

Life Science companies that do not meet the financial requirement

- In 2009, listing criteria for life science companies was introduced (※)
- (※) companies that engages in R&D of organic or life phenomenon based on Biology etc.
- **Need to have investment from accredited Investors or Institutional investors more than 6 months prior to listing**
- ※Other requirements include more than 3 years of R&D, **high market cap (more than 24.3 bil. JPY) etc.**

Listing Requirements (Quantitative)

- 2nd Section and JASDAQ (Standard) listing criteria focus on business track records
- For tradable shares, market cap. is the only listing criteria on JASDAQ

Item		1st Section	2nd Section	Mothers	JASDAQ	
					Standard	Growth
Number of shareholders		More than 2,200	More than 800	More than 200	More than 200	
Tradable shares	Number of tradable shares	More than 20,000 units	More than 4,000 units	More than 2,000 units	—	
	Market Cap. Of Tradable Shares	—	More than 1bil. JPY	More than 5bil. JPY	More than 0.5 bil. JPY	
	Ratio of tradable shares to listed shares	More than 35%	More than 30%	More than 25%	—	
Public offering		—	—	More than 500 units	① More than 1,000 units ② More than 10%	
Market Cap.		More than 25 bil. JPY	More than 2 bil. JPY	More than 1 bil. JPY	—	
Number of years of business operation		More than 3 years		More than 1 year	—	
Shareholder equity		More than 1 bil. JPY		—	More than 0.2 bil. JPY	Positive
Profit amount or Market Cap.		Either a. or b. a. More than 0.5 bil. in the last 2 years b. More than 50 bil. JPY Market Cap & 10 bil. JPY in sales		— (※)	More than 0.1 bil. JPY or market cap. of 5 bil. JPY	—

※Underwriters need to submit a document referring to the company's business that has high-growth potential

Listing Requirements (Eligibility Requirements)

1. Issues Regarding the Current Market Structure
(1) The Concept of Market Segments

Responses regarding the current state of market environment for well-established companies
d. The appropriateness of listing criteria (liquidity etc.)

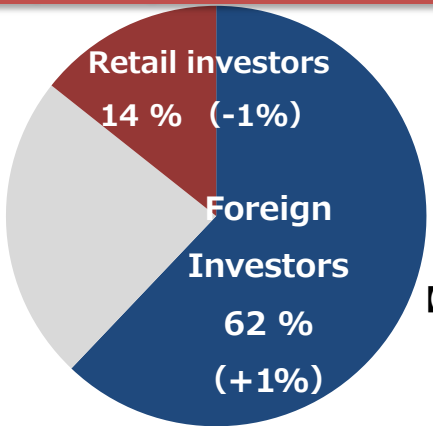
Main Markets (1 st and 2 nd Section)	Mothers	JASDAQ Standard	JASDAQ Growth
<p><u>1. Corporate continuity and profitability</u></p> <p><u>A business is operated continuously and a stable revenue base is present</u></p>	<p><u>1. Reasonableness of the business plan</u></p> <p>The listing applicant has developed reasonable and suitable business plans, and has developed the operating base necessary for executing such business plans, or there is reasonable expectation that it will develop such operating base</p>	<p><u>1. Business continuity</u></p> <p><u>There are no obstacles to continuity of business activities</u></p>	<p><u>1. Corporate growth potential</u></p> <p><u>The company has growth potential</u></p>
<p>2. Soundness of corporate management</p>	<p>2. Soundness of Corporate management</p>	<p>2. Reliability of corporate actions</p>	<p>2. Reliability of corporate actions</p>
<p>A business is carried out fairly and faithfully</p>	<p>The company is carrying out business in a fair and faithful manner</p>	<p>Corporate actions which cause market disorder are not expected</p>	<p>Corporate actions which cause market disorder are not expected</p>
<p>3. Effectiveness of corporate governance and internal management system of an enterprise</p>	<p>3. Effectiveness of corporate governance and internal management system of an enterprise</p>	<p>3. Establishment of sound corporate governance and internal management system</p>	<p>3. Establishment of sound corporate governance and internal management system in accordance with the stage of growth</p>
<p>Corporate governance and internal management system are properly prepared and functioning</p>	<p>Corporate governance and internal management system are developed in accordance with the size, corporate maturity, etc., of the enterprise, and functioning properly</p>	<p>Corporate governance and internal management system have been established in accordance with corporate scale and function effectively</p>	<p>Corporate governance and internal management system have been established in accordance with the company's stage of growth and function effectively</p>
<p>4. Appropriateness of disclosure of corporate information, etc.</p>	<p>4. Appropriateness of disclosure of corporate information, risk information, etc.</p>	<p>4. Appropriateness of disclosure of corporate details, etc.</p>	<p>4. Appropriateness of disclosure of corporate details, etc.</p>
<p>The applicant is in a status where disclosure of the corporate information, etc., may be carried out in an appropriate manner</p>	<p>The company is able to make disclosure of corporate information, risk information etc. in an appropriate manner</p>	<p>The company is capable of appropriately disclosing corporate details, etc.</p>	<p>The company is capable of appropriately disclosing corporate details, etc.</p>
<p>5. Other matters deemed necessary by TSE from the viewpoint of the public interest or the protection of investors.</p>	<p>5. Other matters deemed necessary by TSE from the viewpoint of the public interest or the protection of investors.</p>	<p>5. Other matters deemed necessary by TSE from the viewpoint of the public interest or investors protection.</p>	<p>5. Other matters deemed necessary by TSE from the viewpoint of the public interest or investors protection.</p>
<p>Comply or Explain to all Corporate Governance Code (All 78 principles)</p>	<p>Comply or Explain to Basic Principles of Corporate Governance Code (5 Basic Principles)</p>		

Daily Average Trading Value & Types of Investors (2018)

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of market environment for well-established companies
 d. The appropriateness of listing criteria (liquidity etc.)

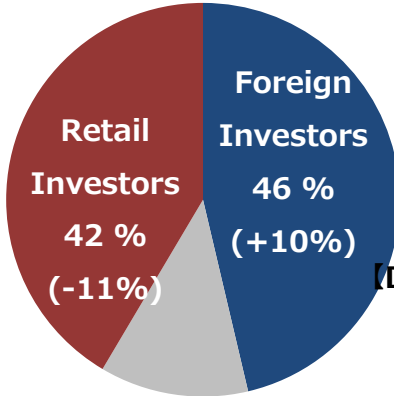
■ Daily average trading value for the 2nd Section (2018): 40 bil. JPY

The 1st Section
 (mainly Foreign investors)



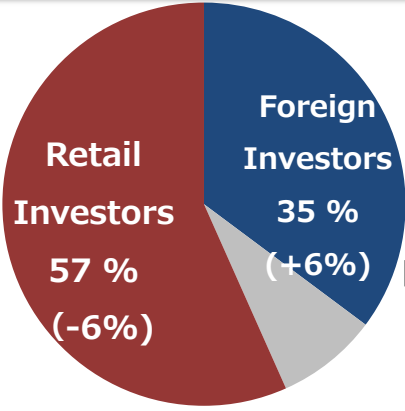
[Daily Average Trading Value]
3,023.4 bil. JPY
(+257.4 bil. JPY)

The 2nd Section
 (Retail/Foreign investors same ratio)



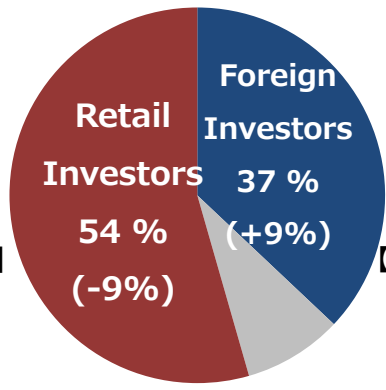
[Daily Average Trading Value]
44.9 bil. JPY
(-6.6 bil. JPY)

Mothers
 (mainly Retail investors)



[Daily Average Trading Value]
97.2 bil. JPY
(-13.7 bil. JPY)

JASDAQ
 (mainly Retail investors)



[Daily Average Trading Value]
74.4 bil. JPY
(+1.8 bil. JPY)

Daily Average Trading Value (Total of Auction and ToSTNeT market, Domestic shares only)
 (※) comparison to last year in parenthesis

Number of Companies Listed on 1st Section & Total Market Cap.

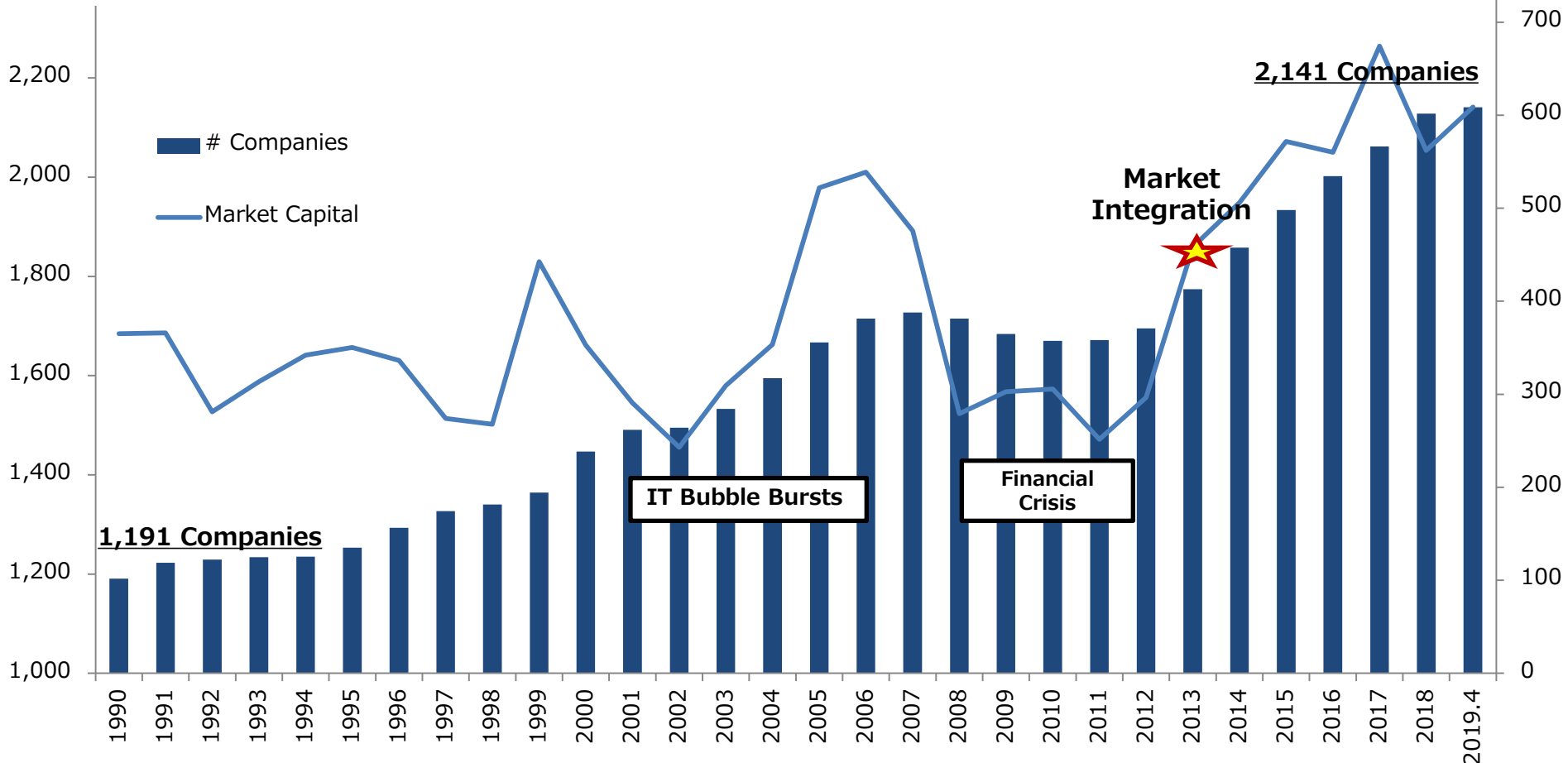
1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

■ During the past 30 years, 1st Section listed companies have doubled

Number of Listed Companies on the 1st Section Market

Number of listed companies

Total Market Cap. (tri. JPY)



Distribution of Market Cap. of Tradable Shares

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

Market Segment/ Market Cap. Of Tradable Shares (JPY)	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth
Over 1 tri.	<u>117</u> (6%)	1 (0.2%)	-	-	-
500bil.-1 tri.	<u>106</u> (5%)	1 (0.2%)	-	-	-
100-500 bil.	<u>416</u> (20%)	4 (1%)	5 (2%)	7 (1%)	-
50-100 bil.	<u>317</u> (15%)	9 (2%)	7 (3%)	8 (1%)	-
25-50 bil.	<u>346</u> (17%)	20 (4%)	15 (6%)	15 (2%)	2 (5%)
10-25 bil.	<u>487</u> (23%)	93 (18%)	42 (17%)	86 (12%)	6 (15%)
4-10 bil.	<u>237</u> (11%)	179 (35%)	89 (35%)	217 (31%)	9 (23%)
1-4 bil.	<u>64</u> (3%)	193 (37%)	88 (35%)	316 (45%)	18 (46%)
Less than 1 bil.	=	16 (3%)	6 (2%)	49 (7%)	4 (10%)
Total	<u>2,090</u>	516	252	698	39

Top: Number of Companies
 Bottom: Ratio

※ Data retrieved at the End of April. 2019

Distribution of Ratio of Tradable Shares

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

Market Segment/ Ratio Of Tradable Shares	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth
More than 90%	<u>700</u> (33%)	84 (16%)	22 (9%)	40 (6%)	9 (23%)
70~90%	<u>616</u> (29%)	164 (32%)	32 (13%)	181 (26%)	9 (23%)
50~70%	<u>468</u> (22%)	149 (29%)	72 (29%)	243 (35%)	8 (21%)
35~50%	<u>264</u> (13%)	85 (16%)	68 (27%)	156 (22%)	10 (26%)
20~35%	<u>35</u> (2%)	30 (6%)	56 (22%)	62 (9%)	2 (5%)
10~20%	<u>5</u> (0.2%)	4 (1%)	2 (1%)	16 (2%)	1 (3%)
Less than 10%	<u>2</u> (0.2%)	-	-	-	-
Total	<u>2,090</u>	516	252	698	39

More than 35% to list directly on the 1st Section

Top: Number of Companies
 Bottom: Ratio

※ Data retrieved at the End of April, 2019

Distribution of Market Cap.

Market Segment/ Market Cap. (JPY)	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth
Over 1 tri.	<u>134</u> (6%)	1 (0.2%)	-	-	-
500bil.-1 tri.	<u>118</u> (6%)	-	1 (0.3%)	1 (0.1%)	-
100-500 bil.	<u>457</u> (21%)	4 (1%)	7 (2%)	9 (1%)	-
50-100 bil.	<u>341</u> (16%)	9 (2%)	16 (6%)	11 (2%)	-
25-50 bil.	<u>372</u> (17%)	34 (7%)	30 (10%)	33 (5%)	2 (5%)
10-25 bil.	<u>453</u> (21%)	101 (21%)	75 (26%)	124 (18%)	6 (16%)
4-10 bil.	<u>231</u> (11%)	184 (37%)	103 (36%)	230 (34%)	13 (35%)
1-4 bil.	<u>35</u> (2%)	154 (31%)	53 (19%)	255 (38%)	15 (41%)
Less than 1 bil.	=	5 (1%)	1 (0.3%)	15 (2%)	1 (3%)
Total	<u>2,141</u>	492	286	678	37

More 25
bil. to list
directly
on the 1st
Section

More
than 1
bil. to
as
criteria
for
market
transfer
to the
1st
Section

Top: Number of Companies
Bottom: Ratio

※ Data retrieved at the End of April. 2019

Distribution of Foreign Investor Ownership Ratio

1. Issues Regarding the Current Market Structure

(1) The Concept of Market Segments

Responses regarding current market environment for companies listed on the 1st Sections

e. The appropriateness of liquidity and governance structure etc.

Market Segment/ Foreign Investor Ownership Ratio	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth
More than 90%	<u>2</u> (0.1%)	-	-	1 (0.3%)	-
70~90%	<u>4</u> (0.2%)	2 (0.4%)	-	-	2 (0.3%)
50~70%	<u>35</u> (2%)	3 (1%)	-	2 (1%)	7 (1%)
35~50%	<u>173</u> (8%)	7 (1%)	3 (8%)	7 (2%)	7 (1%)
20~35%	<u>497</u> (23%)	18 (4%)	-	16 (6%)	23 (3%)
10~20%	<u>616</u> (29%)	42 (9%)	2 (5%)	38 (13%)	61 (9%)
5~10%	<u>362</u> (17%)	63 (13%)	6 (16%)	42 (15%)	76 (11%)
Less than 5%	<u>452</u> (21%)	357 (73%)	26 (70%)	180 (63%)	502 (74%)
Total	2,141	492	37	286	678

Top: Number of Companies
Bottom: Ratio

※ Data retrieved at the End of April. 2019

Status of Nomination/Remuneration Committee Establishment

1. Issues Regarding the Current Market Structure

(1) The Concept of Market Segments

Responses regarding current market environment for companies listed on the 1st Sections

e. The appropriateness of liquidity and governance structure etc.

	Number of Companies	Nomination Committee (Statutory / Optional)		Remuneration Committee (Statutory / Optional)	
		Number	Ratio	Number	Ratio
1st Section	2,128	918	43.1%	970	45.6%
		(+276)	(+11.3%)	(+265)	(+10.7%)
2nd Section	493	75	15.2%	80	16.2%
		(+28)	(+6.2%)	(+26)	(+5.9%)
Mothers	275	10	3.6%	20	7.3%
		(+3)	(+0.8%)	(+8)	(+2.4%)
JASDAQ	725	22	3.0%	28	3.9%
		(+9)	(+1.4%)	(+11)	(+1.7%)
Total	3,621	1,025	28.3%	1,098	30.3%
		(+316)	(+8.2%)	(+310)	(+8.1%)
JPX-Nikkei 400	399	281	70.4%	288	72.2%
		(+54)	(+13.4%)	(+49)	(+12.1%)

* Based on disclosures on the status of response to the code in corporate governance reports submitted by companies by December 31, 2018. Change from July 2017 indicated in parentheses.

Appointment of Independent Directors

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

	Number of Companies	Companies with two or more Independent Directors		Companies with 1/3 or more Independent Directors	
		Number	Ratio	Number	Ratio
<u>1st Section</u>	<u>2,099</u>	<u>1,916</u>	<u>91.3%</u>	<u>706</u>	<u>33.6%</u>
		<u>(+138)</u>	<u>(+3.3%)</u>	<u>(+157)</u>	<u>(+6.5%)</u>
2nd Section	511	340	66.5%	121	23.7%
		(+9)	(+3.2%)	(+23)	(+4.9%)
Mothers	259	106	40.9%	81	31.3%
		(+19)	(+4.8%)	(+12)	(+2.6%)
JASDAQ	729	221	30.3%	105	14.4%
		(+19)	(+3.4%)	(+13)	(+2.2%)
Total	3,598	2,583	71.8%	1,013	28.2%
		(+185)	(+4.0%)	(+205)	(+5.3%)
JPX-Nikkei 400	399	390	97.7%	162	40.6%
		(+8)	(+1.7%)	(+26)	(+6.4%)

※ Figures for 2018 are based on the Corporate Governance Reports of listed companies as of July 13, 2018. Change from July 2017 indicated in parentheses.

Number of Outside/Independent Directors per Company

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

	Number of Companies	Director s	Number of Independent Directors							Number of Outside Directors						
		Average	Average	None	1	2	3 or more	1/3 or more	More than half	Average	None	1	2	3 or more	1/3 or more	More than half
1st Section	2,099	9.17	2.46	15	168	1,170	746	706	67	2.68	7	106	1,037	949	877	103
				0.7%	8.0%	55.7%	35.5%	33.6%	3.2%		0.3%	5.1%	49.4%	45.2%	41.8%	4.9%
2nd Section	511	7.77	1.82	22	149	261	79	121	11	2.16	5	107	254	145	181	22
				4.3%	29.2%	51.1%	15.5%	23.7%	2.2%		1.0%	20.9%	49.7%	28.4%	35.4%	4.3%
Mothers	259	6.08	1.52	30	123	58	48	81	12	1.94	11	99	75	74	124	28
				11.6%	47.5%	22.4%	18.5%	31.3%	4.6%		4.2%	38.2%	29.0%	28.6%	47.9%	10.8%
JASDAQ	729	6.88	1.19	164	344	158	63	105	7	1.63	59	330	213	127	190	26
				22.5%	47.2%	21.7%	8.6%	14.4%	1.0%		8.1%	45.3%	29.2%	17.4%	26.1%	3.6%
Total	3,598	8.28	2.04	231	784	1,647	936	1,013	97	2.34	82	642	1,579	1,295	1,372	179
				6.4%	21.8%	45.8%	26.0%	28.2%	2.7%		2.3%	17.8%	43.9%	36.0%	38.1%	5.0%
JPX-Nikkei 400	399	10.58	3.11	0	9	141	249	162	26	3.28	0	5	124	270	185	31
				–%	2.3%	35.3%	62.4%	40.6%	6.5%		–%	1.3%	31.1%	67.7%	46.4%	7.8%

※ Figures for 2018 are based on the Corporate Governance Reports of listed companies as of July 13, 2018. Change from July 2017 indicated in parentheses.

※ An outside director that is designated by each listed company as an independent director under the TSE listing rules.

English Disclosure of the 1st Section Listed Companies

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding current market environment for companies listed on the 1st Sections
 e. The appropriateness of liquidity and governance structure etc.

Market Cap.	1 st Section Listed Companies (Total)	Financial Report	Corporate Governance Report	Others	(Ref.) Foreign Investor Ratio (Average)
Total	2,130	583	160	272	16.69%
		27.4%	7.5%	12.8%	
Over 1 tri.	128	74	63	61	34.06%
		57.8%	49.2%	47.7%	
500bil.-1 tri.	111	50	27	41	29.68%
		45.0%	24.3%	36.9%	
100-500 bil.	447	183	53	106	23.69%
		40.9%	11.9%	23.7%	
50-100 bil.	333	92	9	33	17.80%
		27.6%	2.7%	9.9%	
25-50 bil.	363	72	8	17	13.44%
		19.8%	2.2%	4.7%	
10-25 bil.	463	73	0	11	9.47%
		15.8%	0.0%	2.4%	
4-10 bil.	243	36	0	3	5.90%
		14.8%	0.0%	1.2%	
Less than 4 bil.	42	3	0	0	3.17%
		7.1%	0.0%	0.0%	

Top: Number of Companies
 Bottom: Ratio

※ Based on the disclosures made on the English material distribution service in 2018

Main Markets of Global Stock Exchanges

(Comparing to the 1st Section)

1. Issues Regarding the Current Market Structure

(1) The Concept of Market Segments

Responses regarding current market environment for companies listed on the 1st Sections

e. The appropriateness of liquidity and governance structure etc.

Market with Hierarchal Design

No Hierarchal Design

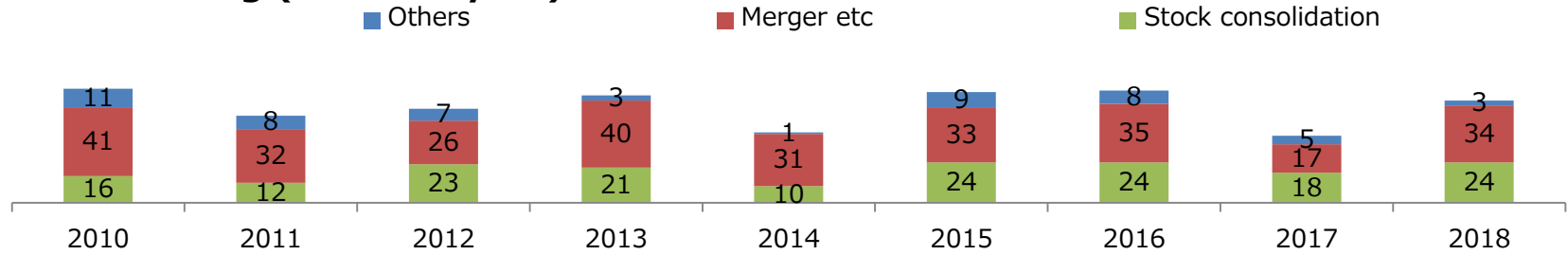
	TSE	NASDAQ	LSE	Deutsche Boerse	Euronext	NYSE	Hong Kong	SGX
Name	1 st Section	Global Select	Premium	Prime	Regulated Market (Compartment A)	NYSE	Main Board	Main Board
Concept	—	The highest initial listing standards of any exchange in the world	Higher initial listing standards	For international investors	(Market Cap. More than 10 bil.)	Large & Mid Cap. Companies	For Established Companies	For Established Companies
Number of companies	2,141	1,480	504	307	295	2,419	1,968	493
Junior market	492 (2 nd Section)	856 (Global)	346 (Standard)	147 (General)	225 (Compartment B)	—	—	—
Market Cap. Medium (JPY)	48. bil.	126.1 bil.	140.2 bil.	95.9 bil.	468.1 bil.	214.9 bil.	20.8 bil.	10.8 bil.
Market Cap. top 5% average	1.2 tri.	2.5 tri.	3.2 tri.	4.6 tri.	10.0 tri.	5.8 tri.	0.8 tri.	0.51 tri.
Market Cap. bottom 5% Average	6.2 bil.	8 bil.	5.8 bil.	4.2 bil.	121.1 bil.	11.9 bil.	2.5 bil.	0.74 bil.
Upgrade		Request for transfer			Automatic	—	—	—
Downgrade	Involuntary	Request for transfer			Automatic	—	—	—
Trading Value (2018)	740 tri.	1,846 tri.	280 tri.	200 tri.	242 tri.	2,127 tri.	272 tri.	20 tri.

※ End of April 2019 and as of May 6, 2019
Based on each exchanges' public information

Number of Delisted Companies & TSE Delisting Rules

1. Issues Regarding the Current Market Structure
 (1) The Concept of Market Segments
 Responses regarding the current state of exit from the market
 f. The exit criteria in alignment with market concept.

Number of delisting (calendar year)



Delisting Criteria

※10 yrs. after listing the same standard as Main Market

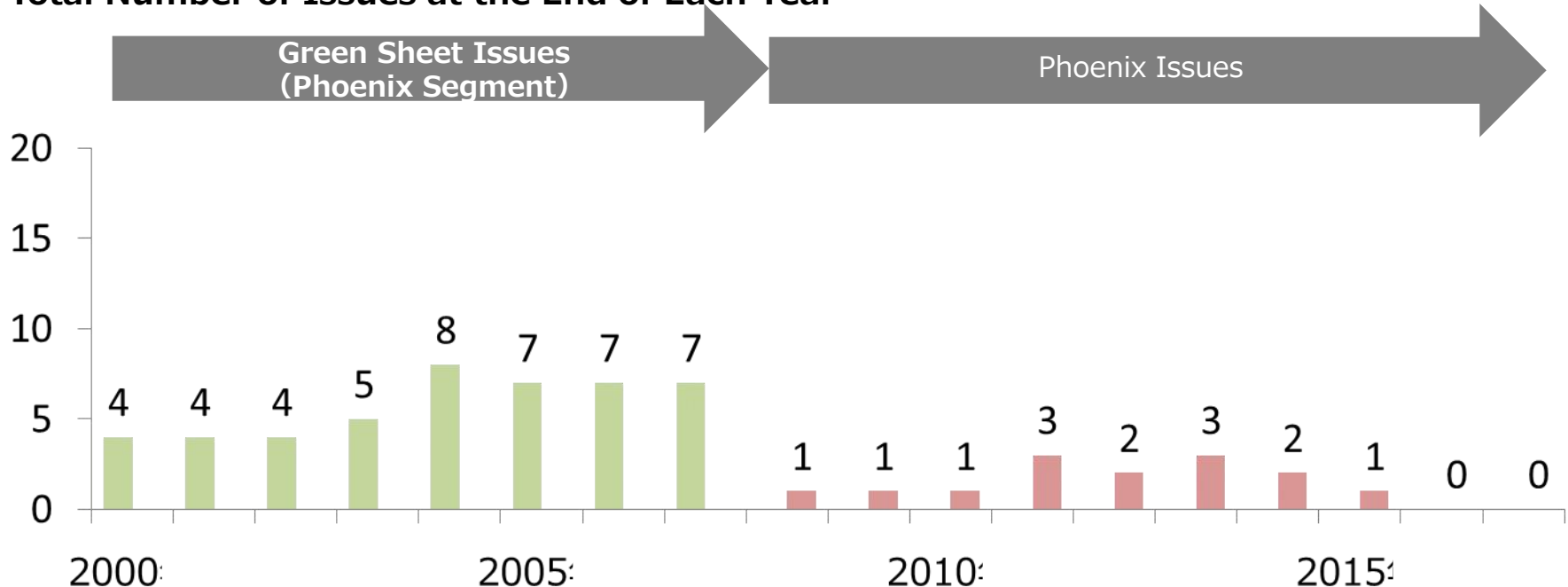
Item	Main Market	Mothers	JASDAQ
Shareholders	4 0 0	1 5 0 (※)	1 5 0
Tradable Shares	2, 0 0 0 unit	1, 0 0 0 unit (※)	5 0 0 unit
Tradable Market cap	0.5 bil. JPY	0.5 bil. JPY (※)	0.25 bil. JPY
Tradable share ratio	5%	5%	—
Sales, Profit	—	(From 6th yrs. after listing) If sales is less than 0.1 bil. JPY	Negative CF for 5 yrs.
Market Cap	1 bil. JPY	0.5 bil. JPY (※)	—
Share price	—	Less than 1 % of offering price (for 3 yrs. after listing)	1 0 JPY
Trading Volume	1 0 unit/month or No trade for 3 months		—
Insolvency	2 consecutive auditing period		
Others	False Statement , Inappropriate M&A, etc.		

Trading Opportunities for Delisted Stocks

Phoenix Issues

- ✓ Japan Securities Dealers Association operates Phoenix Issues as a market place for delisted stocks
- ✓ However, after June 2016, there are zero issues registered as Phoenix Issues

Total Number of Issues at the End of Each Year



Based on JSDA's public information

Distribution of Company's Age After Listing on Each Market Segment

1. Issues Regarding the Current Market Structure
 (2) Insufficient Incentives for Sustainable Growth of Listed Companies
 Responses regarding the current state of growth of corporate value after listing
 a. Growth of corporate value after listing

Section/ Age after listing	1 st Section	2 nd Section	Mothers	JASDAQ Standard	JASDAQ Growth
60 - 70 yrs	352 (16%)	—	—	—	—
50 - 60 yrs	317 (15%)	108 (22%)	—	19 (3%)	—
40 - 50 yrs	137 (6%)	14 (3%)	—	7 (1%)	—
30 - 40 yrs	193 (9%)	12 (2%)	—	29 (4%)	—
20 - 30 yrs	349 (16%)	32 (7%)	—	242 (36%)	—
10 - 20 yrs	457 (21%)	92 (19%)	40 (14%)	304 (45%)	30 (81%)
5 -10 yrs	149 (7%)	139 (28%)	32 (11%)	26 (4%)	7 (19%)
Less than 5 yrs	187 (9%)	95 (19%)	214 (75%)	51 (8%)	—
Total	2,141	492	286	678	37

Top: Number of Companies
 Bottom: Ratio

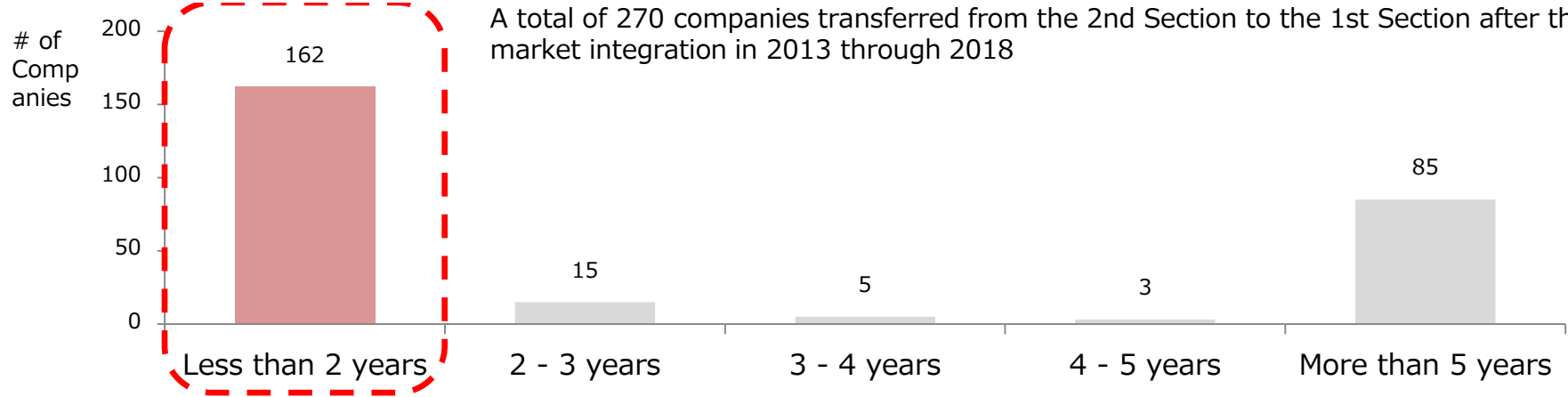
※ Data retrieved at the End of April, 2019

“Step-up” to the 1st Section

■ After listing on Mothers and the 2nd Section, companies step up to the 1st Section happens within less than 2 years

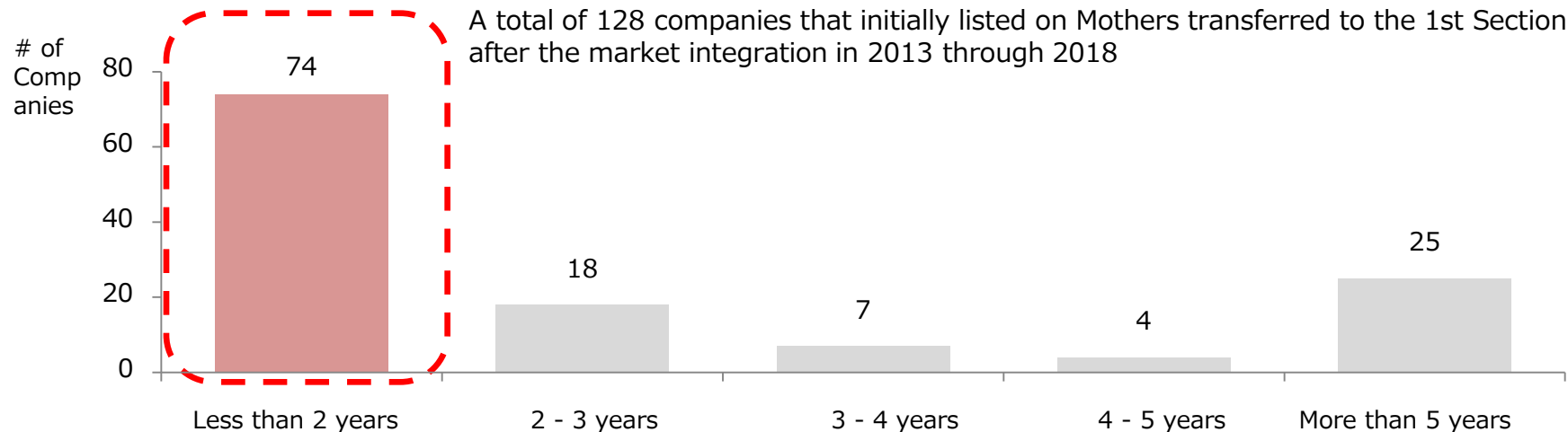
Length of time listed on the 2nd Section before market transfer to the 1st Section

A total of 270 companies transferred from the 2nd Section to the 1st Section after the market integration in 2013 through 2018



Length of time listed on the Mothers market before transfer to the 1st Section

A total of 128 companies that initially listed on Mothers transferred to the 1st Section after the market integration in 2013 through 2018



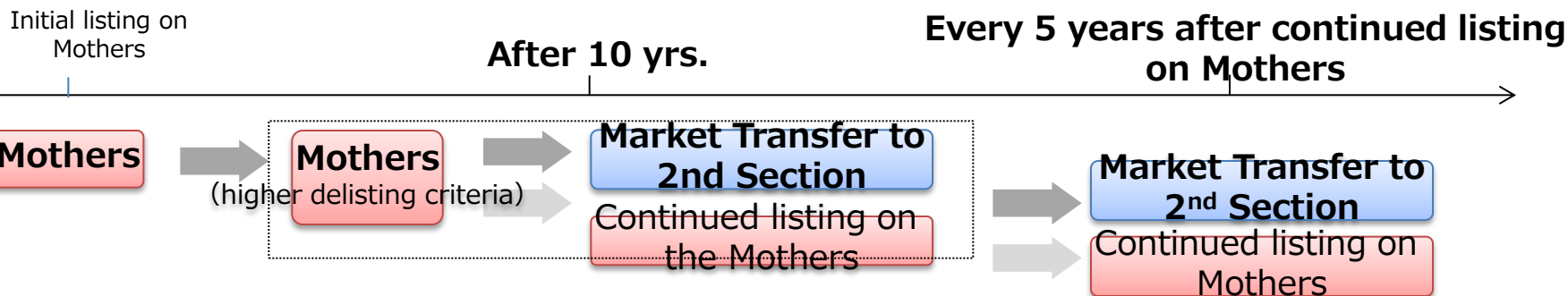
Mothers 10 Year Rule

■ In order to establish Mothers' market concept as a market for high growth companies, after 10 years, 2 processes commence

- ✓ Higher delisting criteria (same standard as the 2nd Section)
- ✓ Choose transfer to 2nd Section or continue listing on the Mothers (※)

※ In order to continue listing on the Mothers market, a company needs to explain that it still has high growth potential (except when the company has more than 4 bil. market cap.)

(Process after listing on the Mothers for 10 years)



(Market Selection by companies listed on Mothers (total #))

Market Selection	After 10 years of listing on Mothers		Less than 10 years
	Market Selection to the 2nd Section	Continue listing on Mothers	
# of Companies	61	43	243

(Ref) Market Transfer less than 10 years from listing on Mothers		
Delisting	Market Transfer to the 1st Section	Market transfer to the 2nd section
11	122	2

※ As of end of April 2019

Listing Requirement for Section Transfer (transfer to 1st Section)

1. Issues Regarding the Current Market Structure
(2) Insufficient Incentives for Sustainable Growth of Listed Companies
Responses regarding the current state of step-up
c. Inconsistencies of step-up criteria.

		From 2 nd Section	Transfer from Mothers		Transfer from JASDAQ
			On the basis of trading volume	On the basis of market cap.	
# Shareholder		2,200			
Tradeable Share	#	20,000 unit			
	Market Cap.	2 bil. JPY	2 bil. JPY	1 bil. JPY	1 bil. JPY
	Ratio	3.5%			
Trading Volume		200 unit	200 unit	=	=
Market Cap.		4 bil.	4 bil.	2.5 bil	2.5 bil.
Business continuity		–	An applicant has established its Board of Directors and operation for three years or more.		
Shareholder Equity		JPY 1 bil. or more (it must not be negative on a separate basis)			
Amount of profit or Market Cap.		The following a. or b. must be satisfied. (a) The total amount of profits in the last 2 years shall be at least JPY 0.5 bil. or more; (b) The value of sales(recent 1 yr) is JPY10 bil. or more and the market cap. at least JPY 50 bil.			
False statement or adverse opinion, etc.		<ul style="list-style-type: none"> No false statement during the last 5 yrs The unqualified opinions or the qualified opinions with exceptions on financial statements, etc. during the last 5 yrs <ul style="list-style-type: none"> The applicant shall not meet (a) or (b) below: (a) The internal management report for the business year which ends during the recent 1 yr contains the statement that “assessment results will be refrained from being expresses.” (b) The internal management audit report for the business year which ends during the recent 1 yr contains the statement that “no opinion will be expressed.” 	<ul style="list-style-type: none"> No false statement during the last 2 yrs The unqualified opinions or the qualified opinions with exceptions on financial statements, etc. during the last 2 yrs The audit opinion on financial statements, etc. for the business year which ends during the recent 1 yr represents “unqualified opinion”, in principle The applicant shall not meet (a) or (b) below: (a) The internal management report for the business year which ends during the recent 1 yr contains the statement that “assessment results will be refrained from being expresses.” (b) The internal management audit report for the business year which ends during the recent 1 yr contains the statement that “no opinion will be expressed.” 		

※ Other requirements not listed would be applied, please refer to the listing rules for the complete list of requirements

Listing Requirement for Section Transfer (transfer from 1st Section to the 2nd Section)

1. Issues Regarding the Current Market Structure
 (2) Insufficient Incentives for Sustainable Growth of Listed Companies
 Responses regarding the current state of step-up
 d. Issues arising from tiered market structure

Market Transfer Criteria – Minimum Standard of Listing on the 1st Section

Item	Minimum Standard
Shareholder	2,000 (※)
Tradable shares	Tradable shares : 10,000 unit (※) Tradable Market Cap : 1 bil. JPY (※)
Market Cap.	2 bil. JPY (※)
Insolvency	Negative Shareholders' Equity (1 yr.)
Trading Volume	40 unit

※Each has a grace period

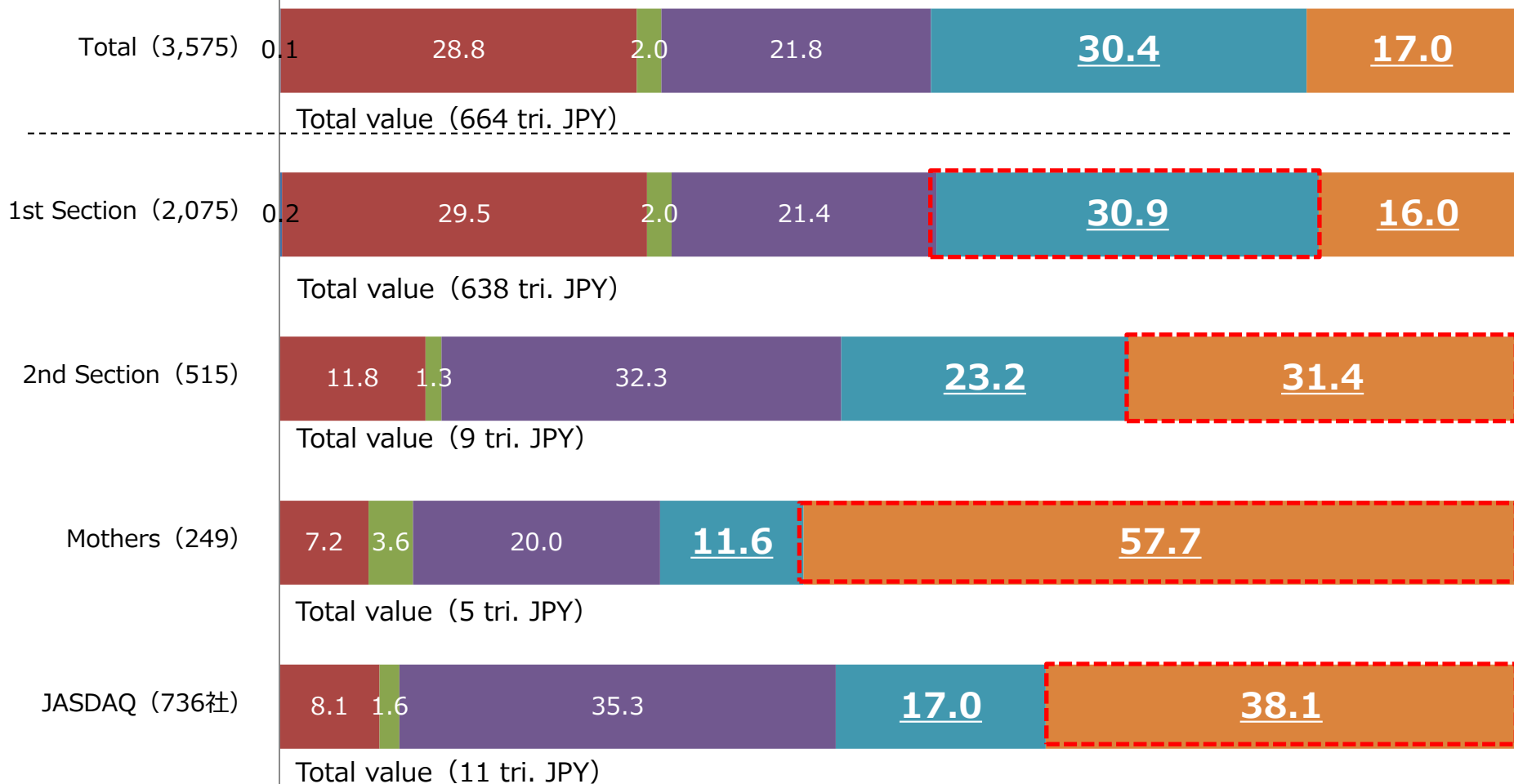
Recent Market Transfer

Year	Number of Companies	Reason
2010	2	Insolvency
2011	2	Insolvency
2012-2014	0	—
2015	1	Insolvency
2016	1	Insolvency
2017	1	Insolvency
2018	0	-

Shareholder Ratio Per Market Segment

■ Other than the 1st Section, retail investor is the largest shareholder type

(Shareholder Ratio) (Value) (2017)



■ Govt. & Local Govt. ■ Financial Institutions (※) ■ Securities Companies ■ Business Corporations ■ Foreigners ■ Individuals

(※) City & Regional Banks, Trust Banks, Life Insurance Companies, Non-life Insurance Companies and Other Financial Institutions

Listed Companies' Information Disclosure

1. Issues Regarding the Current Market Structure
 (2) Insufficient Incentives for Sustainable Growth of Listed Companies
 Responses regarding the current state of information disclosure framework etc.
 f. Burden of information disclosure etc.

Listed Companies' Disclosure (Categories of disclosure)

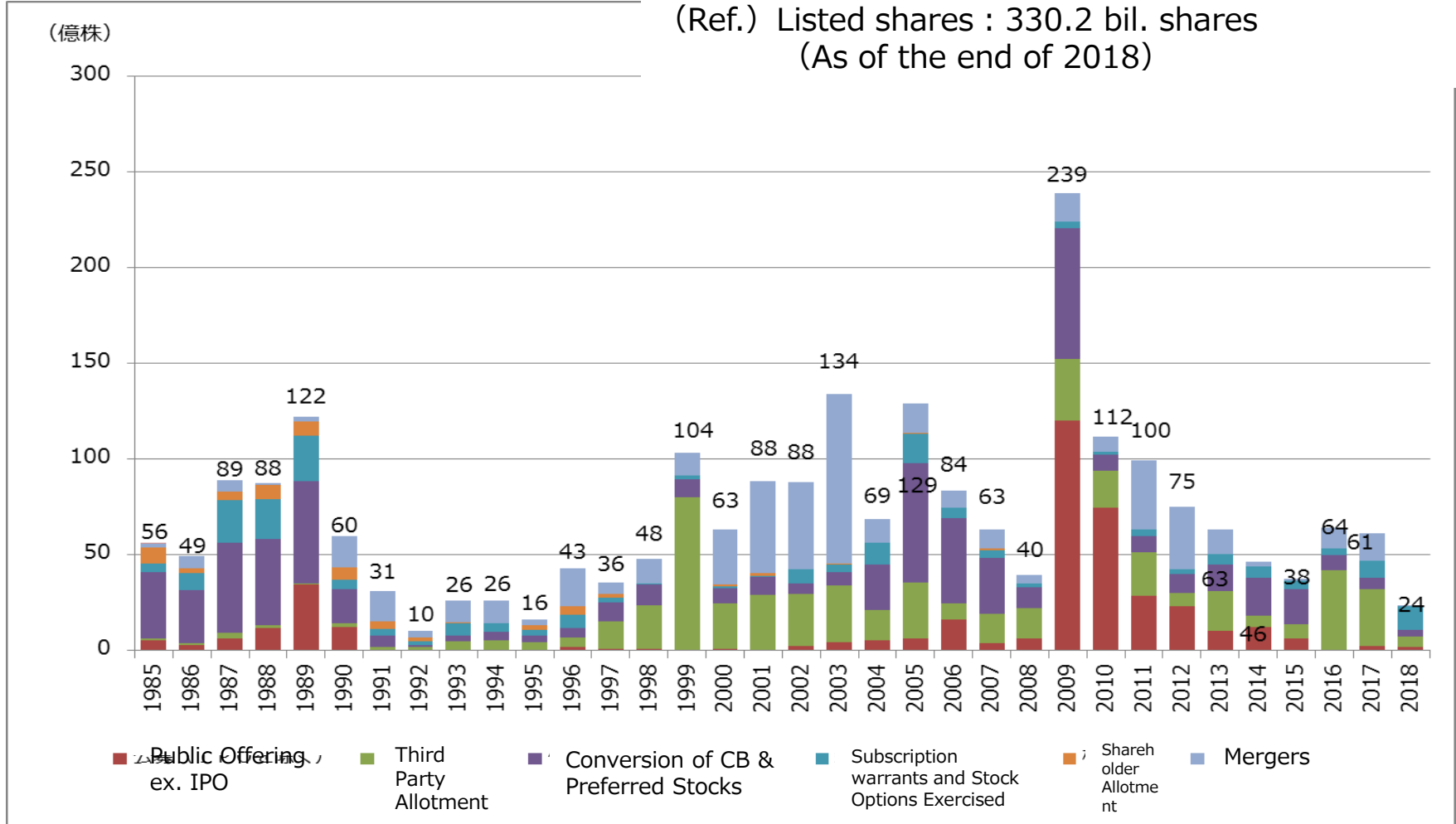
Market Segment Category	1 st Section	2 nd Section	Mothers	JASDAQ
【based Financial Instruments and Exchange Act】 Securities Report, Quarterly report, Securities registration statement etc.	○	○	○	○
【based on Companies' Act】 Business Report, Financial statement etc.	○	○	○	○
【based on Exchange rules】 Timely disclosure (Decided facts, Occurred facts, Financial report・Quarterly financial statement (performance forecast etc/))	○	○	○	○
Corporate Governance Report (Codes to be "Comply or Explain")	○ (All)	○ (All)	△ (Basic Principles only)	△ (Basic Principles only)
Mid-term business rules	—	—	—	○ Growth
Explanation about the investment for the listed companies' shares	—	—	○	○ Growth

Capital Raised After Listing

■ Not much capital is raised after listing, recently about 1% of total outstanding shares are related to capital raised

Increase in the outstanding shares of listed companies

(Ref.) Listed shares : 330.2 bil. shares
 (As of the end of 2018)

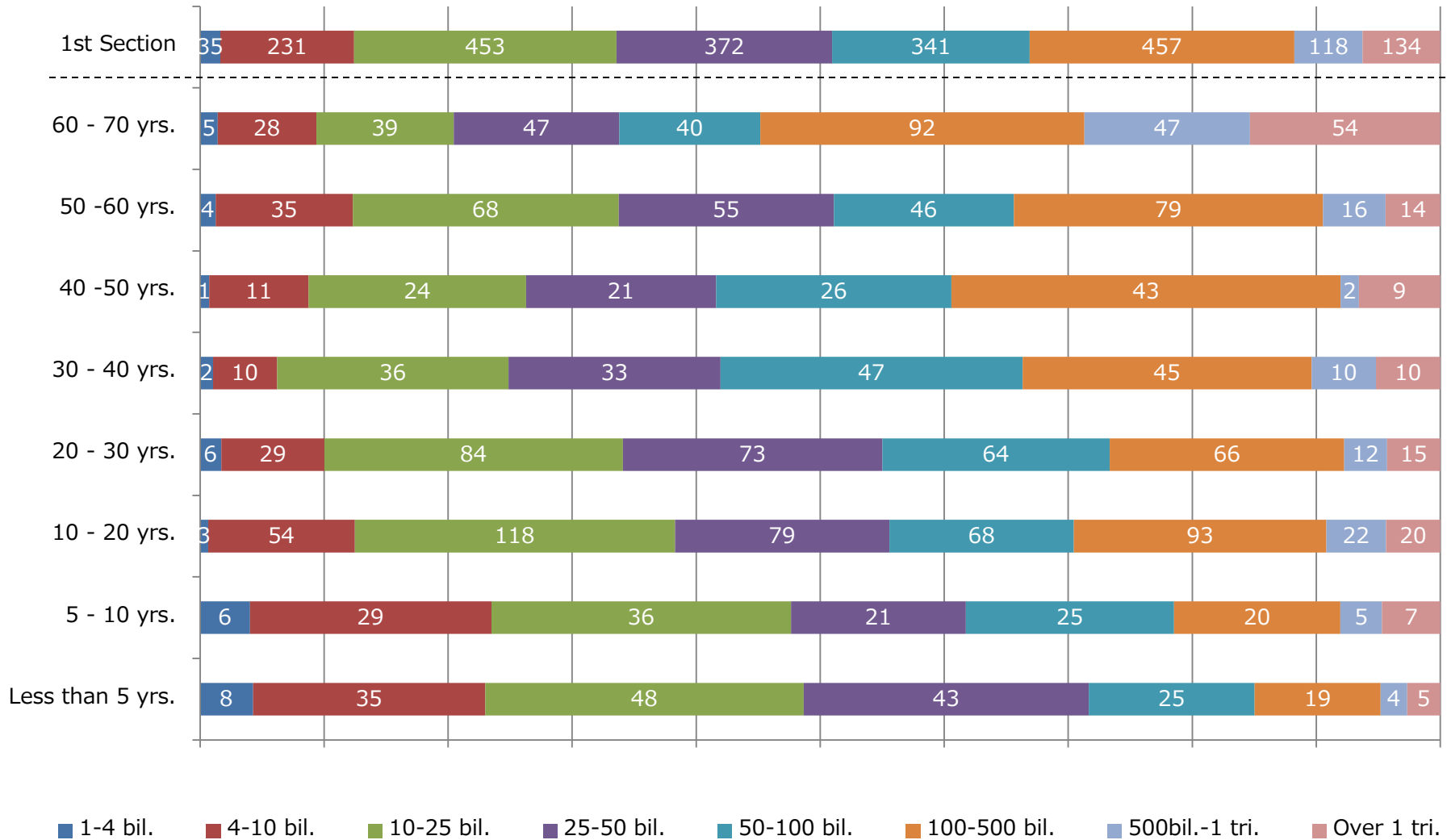


※As of the end of 2018 (excluding share split)

Number of years after listing on the 1st Section & distribution of Market Cap.

1. Issues Regarding the Current Market Structure
 (2) Insufficient Incentives for Sustainable Growth of Listed Companies
 Responses regarding the current state of incentive mechanism for growth after step-up.
 g. Lack of mechanism to incentivize sustainable growth after step-up

(Number of years after listing on the 1st Section & Size of Market Cap.)



※ As of the End of April. 2019

Main Benchmark

1. Issues Regarding the Current Market Structure
 (3) No Index Currently Functioning Properly as an Investable Index

Country	Japan (※)		US	Britain	Germany	China	
Main Benchmark	<u>TOPIX</u>	<u>Nikkei 225</u>	<u>Dow Jones Industrial Average (DJIA)</u>	<u>S&P 500</u>	<u>FTSE 100</u>	<u>DAX30</u>	<u>Shanghai Composite</u>
# of Constituents	2,141	225	30	500	100	30	1,241
Calculation Method	Market Cap. weighted average	Price Average		Market Cap. weighted average			
Index Universe	All 1 st Section listed	Selected from 1 st Section listed	Selected from NYSE& NASDAQ listed	Selected from LSE Premium	Selected from Deutsche Boerse Prime	All Shanghai stock exchange listed	

(※) Other index, such as JPX Nikkei 400 index (400 companies), MSCI Japan (322 companies) are selected from 1st Section as well as other market segments