

Summary of Public Comments on “Development of Listing Rules for Cash Equity Market Restructuring  
(second set of revisions)”

Tokyo Stock Exchange, Inc. (TSE) published a number of proposed rule revisions on December 25, 2020 in the consultation paper “Development of Listing Rules for Cash Equity Market Restructuring (second set of revisions)”, and widely sought comments until February 26, 2021. TSE received thirty-nine (39) comments from the public to this consultation.

Below is a summary of the comments received and TSE’s responses to them.

No.	Summary of Comments	TSE’ s Response
	1. Listing Rules of New Market Segments	
	(1) Listing examination criteria	
1	<ul style="list-style-type: none"> <li>• Please specify when the “Report on the Listing Eligibility Investigation” should be submitted.</li> </ul>	<ul style="list-style-type: none"> <li>※ The “Report on the Listing Eligibility Study” shall be submitted at least three business days prior to the date of listing approval, and it will be clearly stated as so in the “Initial Listing Guidebook”, etc. published by TSE.</li> <li>※ In order to facilitate efficient listing examination process, a draft of the report shall be submitted on the date of the listing application, and if there are any items in the</li> </ul>

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		report that cannot be finalized by the date of the listing application, please inform TSE of that fact, the details of the items, and the expected date of finalization.
2	<ul style="list-style-type: none"> <li>I understand, under the new market segment, there will be no similar mechanism as reassignment (transfer from the 1<sup>st</sup> Section to 2<sup>nd</sup> Section by the exchange), however, if the Prime listed company has no problem with governance or business performance, and there is a technical noncompliance of the continuing listing criteria regarding liquidity, there should be automatic transfer of the company directly to the Standard market, rather than having the company apply for listing again and undergo a listing examination.</li> </ul>	✘ Under the new market structure, each market segment is positioned as an independent market segment with its own clear market concept. Therefore, when a listed company wishes to transfer to another market segment, it will be subject to a listing examination to determine whether it meets the listing criteria of the market segment to which it wishes to transfer to. When undergoing actual listing examination, for efficiency of the examination, the company' s track record of the appropriateness of disclosure of corporate information, etc., the effectiveness of corporate governance and internal
3	<ul style="list-style-type: none"> <li>If a company prepares a plan to improve its corporate value in order to meet the criteria for the Prime market, but fails to meet the criteria as a result, it will be required to go through the same procedures as an initial listing on the Standard Market, which will incur large cost and effort to deal with. Simplifying the procedures for transferring the market segment from the Prime market to the Standard market would lead to willingness to increase corporate value and to the interests of shareholders.</li> </ul>	

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4	<ul style="list-style-type: none"> <li>When Prime listed companies are noncompliant with the continuing listing criteria, basically, there should be few cases that lead to delisting, because most of the companies' will either be compliant during the grace period or transfer to another market segment. However, companies that have not taken corrective actions or applied for a transfer of market segment by the end of the grace period should be aware of the risk of losing trading opportunities due to delisting. From the perspective of investor protection, measures such as automatically maintaining the listing on the Standard market and securing trading opportunities for companies that do not meet the criteria for the Prime market but do meet the criteria for the Standard Market would be preferable. In addition, when transferring the market segment, it should be a seamless transfer with no unlisted periods or trading suspension periods.</li> </ul>	<p>control systems, and other matters which the listed company should have been complying as a listed company, will be taken into consideration.</p> <p>※ If a listed company that is noncompliant with the continuing listing criteria of the market segment to which it currently belongs submits an application to transfer to another market segment within the grace period, the company will continue to be listed in the market segment to which it currently belongs to, until the examination based on the application is completed (or by the day before the transfer if the company is found to be in compliance with the listing examination criteria of the other market segment as a result of the examination).</p> <p>※ With regard to the issue of the risk of losing trading opportunities due to delisting, Final Report by the</p>

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		<p>Expert Study Group on Capital Markets in Japan of the Financial System Council (December 27, 2019) also stated, "once the strict delisting criteria are applied, securing opportunity for investors to sell their shares to be delisted is necessary. Therefore, when considering tightening the delisting criteria, it is also necessary to consider developing secondary markets which seamlessly function as alternative, secondary venues of trading for these investors." Therefore, the exchange will continue to consider necessary measures.</p>
	(2) Continuing Listing Criteria	
	<Standard Market>	
5	<ul style="list-style-type: none"> <li>Establishing a new listing criterion regarding monthly average trading volume is appropriate from the perspective of maintaining a balance with other markets and ensuring liquidity. Existing listed companies should be encouraged to enhance their IR activities to</li> </ul>	<p>※ Corporate Governance Code, which also applies to companies listed on the Standard market, clarifies the concept that "companies should take</p>

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	increase trading volume.	<p>the initiative in providing information other than that required by law” and sets out various points to be considered in the principles and supplementary principles.</p> <p>※ In addition, TSE has been working on deeper understanding of the purpose of the Corporate Governance Code by the listed companies and we will continue to make efforts to support the enhancement of proactive and voluntary IR activities by listed companies.</p>
<Prime Market>		
6	<ul style="list-style-type: none"> <li>With regard to the criteria for the Prime market, I think that too much attention is being paid to the small and medium-sized companies that are currently listed on the 1<sup>st</sup> Section of the market. Only a limited number of blue-chip companies that represent Japan should be listed on the Prime market, and they should be required to work very hard to stay listed, and TOPIX will be their stock price index, and then all will be competitive.</li> </ul>	<p>※ The Prime market’s continuing listing criteria are the minimum requirement from the perspective of providing market capitalization (liquidity) and governance on a scale that enables many institutional investors to invest in the Prime market, and are not intended to limit the number</p>
7	<ul style="list-style-type: none"> <li>The criteria for maintaining a listing on the Prime market is too</li> </ul>	

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	<p>loose. If the percentage of companies that can be listed on the Prime market is set, for example, within the top 30% of shares traded, listed companies will not spend their time in peace, but will compete and constantly make efforts.</p>	<p>or percentage of companies to be listed on the Prime market. Sustainable growth and medium- to long-term enhancement of corporate value are commonly expected of all listed companies, but it is the vitality of the listed company itself that makes this possible, and constructive dialogue between the listed company and its shareholders and investors that supports this. Under the new market segmentation, listed companies in the Prime market will be required to meet minimum continuing listing criteria, and will be expected to conduct constructive dialogue with institutional investors in order to achieve the growth. As for TOPIX, we are separately planning to revise the index to make it both more representative of the market and more functional as an investment measure,</p>

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		and we are planning to improve the index by gradually reducing the weighting of stocks with a tradable share capitalization of less than 10 billion yen.
8	<ul style="list-style-type: none"> <li>• As for the Prime market, there is room for consideration of setting continuing listing criteria on the basis of business performance and financial condition, as well as listing examination criteria, so that companies with persistent deficits do not continue to remain on the market. Since it is expected that a company may temporarily incur a large loss, it may be possible to balance the purpose of the listing examination criteria with the continuing listing criteria if it is possible to operate the criteria in a way that does not significantly restrict the freedom of corporate management, for example, by adopting a multi-year review period or allowing companies to set their own grace period.</li> </ul>	<p>Sustainable growth and medium- to long-term enhancement of corporate value are commonly expected of all listed companies, and listed companies that have experienced continuous poor performance in the past have usually made efforts to improve their performance.</p> <p>※ The purpose of establishing criteria related to business performance and financial condition in the listing examination criteria for the Prime market is, before listing, in the absence of a corporate value based</p>

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		<p>on the diverse investment decisions of many investors, to ensure, as an exchange, that there is a sufficient business, earnings, and financial base for investors to evaluate corporate value after listing. However, after listing, based on the fact that there will be an evaluation of corporate value based on timely and appropriately disclosed corporate information, we will adopt only the criteria regarding the positive net asset value as the criteria for continuing listing criteria.</p>
9	<ul style="list-style-type: none"> <li>The number of shareholders required to maintain a listing is too low. In particular, 800 or more shareholders required for the Prime market is too small. It is expected that the number of companies introducing shareholder benefit programs will decline, and there</li> </ul>	<p>※ The liquidity criteria are required to ensure fair and smooth price formation in the market. In the Prime</p>

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	<p>are concerns that liquidity will decline as individuals lose interest in the stock market. The number should be 5,000 or more to improve the quality of the Prime market.</p>	<p>market, the purpose of the criteria is realized through the combination of criteria related to the number of shareholders as well as the the total market value of shares in circulation and trading value requirement.</p> <p>※ The number of shareholders in the Prime market have been set in light of recent changes in the structure of stock ownership and similar standards in other foreign exchanges, but it does not imply a decline in the importance of individual investors in the securities market.</p> <p>※ Participation of the various types of investors in the securities</p>

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		<p>market is essential for fair and smooth price formation, and based on the recognition that securities investment is the foundation of Japan's wealth and that the promotion of sound individual financial asset formation through securities investment is an important issue that supports Japan's wealth, TSE has been taking various measures to expand the number of individual investors, including the promotion of financial literacy, and will continue to do so in cooperation with market players.</p>
10	<ul style="list-style-type: none"> <li>Four criteria should be added to the listing criteria of the Prime market: compliance with all corporate governance codes; higher</li> </ul>	<p>※ The Prime market requires a higher level of governance than other market</p>

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	standards of corporate governance if the company has a listed parent company or listed subsidiaries; no shareholder benefits that are unrelated to the company's products or services or that have little relevance; and has no shareholder who is a "client shareholding association" and does not participate in a client shareholding association.	segments on the premise that it will be the target of investment by many institutional investors, and the "Corporate Governance Code (Revised Draft)" released on April 7, 2021 includes provisions on the composition of the Board of Directors and the establishment of the Nomination Committee and the Compensation Committee.
1 1	<ul style="list-style-type: none"> <li>If the prime market is intended to be a market that is valued by foreign investors, it is appropriate to limit it to companies with a majority of the board of directors are outside directors, the chairman of the board is an independent outside director, and the company has a nominating committee and a compensation committee, based on global standard governance.</li> </ul>	<ul style="list-style-type: none"> <li>※ Prime market listed companies are expected to have their own governance structure, taking initiatives based on their own circumstances, in alignment of the principles of the Corporate Governance Code.</li> <li>※ TSE continues to adopt a principles-based approach for Corporate Governance Code and aims for listed companies to achieve effective governance by ensuring that listed companies "comply with or explain" each principle etc. of the Code in an</li> </ul>

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		appropriate manner.
1 2	<ul style="list-style-type: none"> <li>The Prime market' s requirement that the ratio of tradable shares be at least 35% is expected to have a certain effect in encouraging companies to "engage in constructive dialogue with investors." On the other hand, there are still some cases where a majority of shares are held by specific shareholders, such as parent companies or founding families, so it is necessary to continue considering improvements from various perspectives, such as market segment, treatment on TOPIX, and further strengthening of governance, from the perspective of protecting minority shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>※ As pointed out, the listed companies that have a controlling shareholder face risk of structural conflicts of interest between the controlling shareholder and minority shareholders other than the controlling shareholder, and from the perspective of allowing investors who are minority shareholders to make a medium- to long-term investment with confidence, it will be important to develop an environment in which minority shareholders are appropriately protected.</li> </ul>
1 3	<ul style="list-style-type: none"> <li>We believe it is appropriate to prohibit listed subsidiaries who has an entity that holds more than 50% of the voting rights, from being listed on the Prime market. In the case of a listed subsidiary where there is an entity that holds more than 50% of the voting rights, minority shareholders would not be able to influence the approval or disapproval of ordinary resolutions such as the election of directors even with the consensus of minority shareholders. In addition, even if outside directors make up the majority of the board of directors, it is difficult to evaluate the effectiveness of outside directors appointed by the parent company from the outside.</li> </ul>	<ul style="list-style-type: none"> <li>※ In the past, TSE has been taking initiatives from various perspectives, such as establishing procedural regulations to ensure fairness in transactions between controlling shareholders and listed companies and requiring listed</li> </ul>
1 4	<ul style="list-style-type: none"> <li>There are listed companies where a large number of shares are held</li> </ul>	

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	<p>by the founding family or a shareholding association, and the founding family holds the important posts of chairman and president on the board of directors. In addition to the number of tradable shares, the exchange should have other criteria to ensure that it does not become a Prime market listed company.</p>	<p>companies with controlling shareholders to disclose their policies on minority shareholder protection and their implementation status.</p> <p>※ The report also includes a requirement for listed companies with controlling shareholders to develop an appropriate governance structure to protect the common interests of the company and its shareholders. TSE will continue to strive to create the necessary environment for investors to participate in medium- to long-term investments.</p>
1 5	<ul style="list-style-type: none"> <li>• It is necessary to strengthen the independence standards for outside directors (Independent Directors) at Prime market companies. TSE' s current independence standards for outside directors are looser than those set by many domestic institutional investors, and even if a company deems that a certain outside director is independent based on TSE standards, there are many cases where domestic institutional investors oppose the appointment of such directors on the grounds</li> </ul>	<p>※ The Corporate Governance Code established by TSE requires the Board of Directors of each listed company to formulate and disclose its own criteria for determining independence, based on the independence standards established</p>

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	<p>that they are not independent.</p>	<p>by the exchanges, with a focus on ensuring independence in terms of substance. In addition, when a company's proposal receives a significant number of negative votes at a general meeting of shareholders, the company is expected to analyze the reasons for the opposition and the causes of the large number of negative votes, and to engage in dialogue with shareholders.</p> <p>※ For companies listed on the Prime Market, while taking into account the purpose of the Corporate Governance Code as stated above, it is important to engage with constructive dialogue with institutional investors and work on appointing officers who are substantially independent.</p>
16	<ul style="list-style-type: none"> <li>• In order for the Prime market to be recognized as a truly global capital market, it is important to encourage its listed companies to apply globally accepted accounting standards. We hope that the</li> </ul>	<p>※ TSE has long been a strong supporter of the goal of establishing a single, high-quality set of international</p>

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	exchange will encourage listed companies in the Prime market to use IFRS standards.	accounting standards, and will continue to work with a wide range of market participants, regardless of whether or not they are listed on the Prime market, to promote the voluntary adoption of International Financial Reporting Standards (IFRS).
	<Growth Market>	
17	<ul style="list-style-type: none"> <li>• A company who has a controlling shareholder should be able to list as a public company. It is possible that a controlling interest by a visionary leader is exactly what investors are looking for. Although it may be appropriate to exclude stocks with a tradable equity ratio of less than 25% from the indices for growth markets due to increased passive investment, etc., requiring a tradable equity ratio of 25% and raising the liquidity standard by revising the definition of tradable equity are excessive. It unnecessarily restricts access to the capital markets and narrows the liquidity and scope of the TSE market.</li> </ul>	<ul style="list-style-type: none"> <li>※ The liquidity criterion is the basis for achieving smooth and fair price formation in the secondary market and is a prerequisite for promising smart-up companies to achieve smooth procurement of equity capital.</li> <li>※ In order for investors who acquire shares through the secondary market to make medium- to long-term investments with confidence, it is considered necessary for listed companies in the Growth market to have effective corporate governance</li> </ul>

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		<p>structure in place.</p> <p>※ For this reason, in addition to requiring the continuing listing criteria of the minimum Tradable Share ratio (25% or more) that a public company should have, the definition of Tradable Shares is revised to ensure substantial liquidity.</p> <p>※ As pointed out, especially for listed companies in the Growth market, it is assumed that there may be cases in which it is in the common interest of shareholders for a certain person to maintain certain level of control of the company and continue to be involved in management in order to achieve high growth. Therefore, for example, listing using dual class shares, such as shares with few voting rights or no voting rights are permitted.</p>

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	<Others>	
18	<ul style="list-style-type: none"> <li>• In order to promote awareness of the fundamental purpose of “equity” (capital), which is to enhance corporate value by investing in one’s own business rather than in other listed companies, the new rules should indicate that the criteria for the ratio of tradable shares will be raised to over 50% in the future and that companies with cross-shareholdings will be delisted in the future. In the future, companies with cross-shareholdings shares should be delisted.</li> </ul>	<ul style="list-style-type: none"> <li>※ From the perspective of realizing the sustainable growth and medium- to long-term enhancement of corporate value of listed companies, listed companies are expected to take proactive measures to improve their profitability and capital efficiency, etc., and the Corporate Governance Code set forth by TSE emphasizes that point.</li> <li>※ The comment suggests requiring 50% Tradable Shares ratio as a continuing listing criterion, which effectively prohibits all those companies that have a certain controlling shareholder from listing. However, there are no major exchanges in other countries that have adopted such a listing policy, and we believe that this would excessively restrict the opportunities for fund-raising</li> </ul>

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		<p>through the stock market only for listed companies in Japan. Since there is currently no consensus among market participants to impose such a restriction, it will not be implemented. With regard to the issue of the risk of structural conflicts of interest between the controlling shareholder and other minority shareholders of a listed company that has a controlling shareholder, we will continue to take necessary measures from the perspective of securing the confidence of shareholders and investors in the TSE market.</p> <p>※ The listing criteria for Tradable Shares ratio at the Standard market and the Growth market is 25% or more, which is the minimum level that a listed company with shares traded on the secondary market should have, based on the levels set by major</p>

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		<p>exchanges in other countries. The ratio of Tradable shares traded on the secondary market will be 35% or more, which is a higher level from the perspective of ensuring the effectiveness of constructive dialogue with institutional investors.</p> <p>※ With regard to the reduction of strategic shareholdings (cross-shareholdings), the Corporate Governance Code established by TSE requires disclosure of policies and approaches regarding the reduction of strategic shareholdings and details of verification of the appropriateness of such holding.</p> <p>※ Revised Guidelines for Dialogues with Investors published on April 7th, (hereinafter referred to as the "Revised Guidelines for Dialogues") also lists points such as whether the the effects of such holding is</p>

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		<p>sufficiently evaluated based on the perspective of the common interests of shareholders through, for example, the effective involvement of independent outside directors.</p> <p>※ With regard to strategic shareholdings, current framework includes company's voluntary efforts, proactive information disclosure, and additionally, reduction of such holdings through constructive dialogue with institutional investors based on the content of disclosure, and the effectiveness of this framework has not been denied at this point in time. Therefore, we will not adopt the "policy of delisting companies with strategic shareholdings in the future."</p>
	<ul style="list-style-type: none"> <li>• With regard to the tradable share ratio, is it correct to understand that this standard does not apply to foreign companies' initial</li> </ul>	<p>※ In the same way as in the (current) Securities Listing Regulations</p>

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	listing?	before the amendment, with respect to the listing criteria and continuing listing criteria applicable to foreign companies, the criteria regarding the ratio of Tradable Shares shall be applied to the foreign company.
	(3) Revision of the definition of tradable shares	
	<General Comments>	
2 0	<ul style="list-style-type: none"> <li>We would like to know how the revised Tradable Share definition was formulated, such as whether it was based on definition used by other exchanges, global standards, evidence, estimates, or some other discussion.</li> </ul>	<ul style="list-style-type: none"> <li>※ In order to ensure smooth trading and fair price formation in the secondary market, TSE has long established standards for Tradable Shares. Smooth and fair price formation in the secondary market is essential for listed companies to raise funds smoothly by issuing new shares.</li> <li>※ Under the current definition of Tradable Shares, many institutional investors in Japan and abroad have pointed out that the shares that are actually not tradable in reality are</li> </ul>
2 1	<ul style="list-style-type: none"> <li>Clearly, the review of the definition of tradable shares is aimed at eliminating cross-shareholdings. This is truly inappropriate as a continuing listing criterion.</li> </ul>	
2 2	<ul style="list-style-type: none"> <li>There is no consideration for listed companies. What actions are being taken to explain the changes and seek understanding from the listed companies regarding the review of the Market segmentation. Has the exchange obtained understanding from the listed companies? It will be a problem if companies are delisted by tightening the criteria for maintaining listing. We believe that the current</li> </ul>	

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	<p>concept/definition of the Tradable Shares should remain unchanged. There is no problem with banks, insurance companies, and business corporations owning shares as long as they are operating their businesses in a stable manner. Is it really necessary to give that much consideration to foreign investors?</p>	<p>counted as Tradable Shares, and as a result, the criteria may not be functioning properly. Report of the Expert Study Group on Market Structure (Dec. 27, 2019) have Also suggested that "consideration should be given to making it more in line with the actual situation, taking into account the trading situation of the holder and the intention of the holder."</p> <p>※ Therefore, revision will be made to the definition of the Tradable Shares to exclude stocks held by domestic ordinary banks, insurance companies, business corporations, etc., for which the actual trading frequency in the market (trading turnover) has been confirmed to be extremely low based on past statistics.</p> <p>※ As mentioned above, the definition of Tradable Shares has been revised from the perspective of ensuring</p>

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		<p>liquidity, which is a prerequisite for the functioning of the secondary market. The intention is to change the content to be "more in line with the actual situation. The purpose is not to "eliminate cross-shareholdings."</p> <p>※ In addition, since TSE started this review of the market structure in 2018, it has been working on the details of the review step by step through public comments from market participants and listed companies, examinations and discussions by experts including those from listed companies, and open discussions in the Expert Group. The progress of the deliberation has been published timely the TSE website as necessary, and efforts have also been made to publicize the deliberation through seminars and other means. We will continue to work on disseminate</p>

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		necessary and sufficient information.
	<p>〈Shares held by domestic banks, insurance companies and business corporations, etc.〉</p>	
2 3	<ul style="list-style-type: none"> <li>• Even those shares in the most recent Large Shareholding Report or Annual Securities Report, etc., the purpose of ownership described as "pure investment, should be excluded if they are extremely unlikely to be traded in the foreseeable future. Specifically, even if they are classified as "pure investment," the stocks recorded in "Investments and other assets" of fixed assets and "Available-for-sale securities" should be excluded from tradable shares. We cannot explain the inclusion of shares in the Tradable Shares definition if the shareholders have declared in their legal disclosure documents that they will not be traded for at least the next one (1) year.</li> </ul>	<ul style="list-style-type: none"> <li>※ In the revision of the definition of Tradable Shares, shares held by domestic ordinary banks, domestic insurance companies, and domestic business corporations, are excluded from Tradable Shares.</li> <li>※ As many have commented, this exception should be more in line with the actual situation, amendments have been made to the original proposal.</li> <li>※ In the case of shares held by domestic ordinary banks, domestic insurance companies, and domestic business corporations, if the purpose of holding is fore "pure investment" and there is a track record of stock trade in the last five years, these shares will be treated as Tradable</li> </ul>
2 4	<ul style="list-style-type: none"> <li>• In the calculation of Tradable Shares, we have to rely on the disclosure of companies, such as the status of their cross-shareholdings. Since there is no such thing, efforts should be made to ensure that there is no fraud, including conducting sufficient monitoring.</li> </ul>	
2 5	<ul style="list-style-type: none"> <li>• The revision of the definition of Tradable Shares is appropriate from the perspective of improving the effectiveness of the</li> </ul>	

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	<p>regulations and increasing the liquidity of shares. However, for high-risk companies, such as those that are on the verge of losing their listing status, investment purpose, whether or not a shareholders' holding purpose is a "pure investment," should not be determined solely on disclosure documents of the companies. The effectiveness of the regulations should be enhanced through additional monitoring.</p>	<p>Shares as an exceptional.</p> <p>※ Confirmation of the purpose of shareholding will be based on, in addition to the statement in the "Purpose of holding" column of the Large Shareholding Report and the Amendment Report, where the listed company is not subject to the submission of a Large Shareholding Report (where the shareholding ratio is less than 5%), the document prepared by the shareholder in accordance with the form prescribed by TSE. The listed company and the shareholder will agree to TSE making the document submitted publicly available.</p>
2 6	<ul style="list-style-type: none"> <li>When a business corporation, etc. holds shares of a listed company for purposes other than cross-shareholding, there is a possibility of long-term holding, but there is also a possibility of short-term trading. Wouldn't it be contrary to the original purpose to treat them uniformly as non-Tradable Shares?</li> </ul>	
2 7	<ul style="list-style-type: none"> <li>Business corporations that hold shares in each other in pursuit of substantial business synergies, etc., and insurance companies that exercise voting rights based on their own publicly announced criteria, should not be uniformly excluded from Tradable Shares, because they are not so-called stable shareholders.</li> </ul>	
2 8	<ul style="list-style-type: none"> <li>I feel that excluding business corporations, etc. from Tradable Shares in a uniform manner is excessive. The company has no control over whether the holders of its shares are corporations or individuals. I think it is necessary to keep it within the range where at least the company has control over.</li> </ul>	<p>※ TSE will continue to work on refining the manner in which it confirms the purpose of holding, and track record of trading, for a more objective and transparent method of determining</p>

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29	<ul style="list-style-type: none"> <li>Is it correct to understand that even if the purpose of holding is "pure investment," but the holding ratio is less than 5%, and is not subject to the Large Shareholding Report, then those will be uniformly excluded from Tradable Shares?</li> </ul>	<p>Tradable Shares and continue to review the method in light of the situation after the transition to the new market segment.</p>
30	<ul style="list-style-type: none"> <li>What are procedures if Large Shareholding Report, etc. are not submitted? There are likely to be many business corporations, etc., that hold less than 5% of the shares, without the obligation to submit a Large Shareholding Report, but in effect hold the shares as a "pure investment", and if these are not counted as Tradable Shares, there will be cases where the listing maintenance criteria cannot be met. Please count them as Tradable Shares through additional reporting requirement.</li> </ul>	<p>※ Listed companies will be notified of the practical handling of this matter, including the submission of the "Distribution of Share Certificates, etc.", around the week of May 10.</p>
31	<ul style="list-style-type: none"> <li>Even among shareholders who are not obliged to submit Large Shareholding Reports, there are likely to be a large number of investors who intend to make a "pure investment". We believe that excluding these from the list of "shares with little tradability" will lead to a correct understanding of Tradable Shares.</li> </ul>	
32	<ul style="list-style-type: none"> <li>The exception for shares held by "domestic ordinary banks, insurance companies, and business corporations" is limited to cases where the shareholding is 5% or more if the purpose of shareholding is only confirmed by a Large Shareholding report. Usage of Annual Securities</li> </ul>	

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	Report, etc. should be considered as one possible alternative confirmation method.	
3 3	<ul style="list-style-type: none"> <li>• In most cases, Annual Securities Reports only list the "number of stocks" of listed stocks for both "pure investment" and "other than pure investment" purposes and omit the "name of individual stocks." Therefore, in order to maintain objectivity in confirming the purpose of shareholding, the following measures should be taken: (1) TSE should encourage listed companies to publish additional information such as the names of stocks held; (2) TSE should receive letters from shareholders stating that they hold stocks for "pure investment" purposes and use them as evidence in the reports submitted to TSE; and (3) in addition to receiving letters, trace the movement of those stock holdings from the quarterly shareholders' register and report on it liquidity, which will be provided as an evidence attached to the letter.</li> </ul>	
3 4	<ul style="list-style-type: none"> <li>• It is difficult for business corporations not required to submit Annual Securities Reports, to clarify that their purpose of shareholding is "pure investment," and so it is not appropriate to treat all business corporations as the same, excluding its shareholdings from tradable shares. For example, there could be a standard for excluding small shareholding from Tradable Shares, such as if the holding ratio is less than 1%.</li> </ul>	

No.	Summary of Comments	TSE' s Response
3 5	<ul style="list-style-type: none"> <li>The idea to remove all Corporate shareholdings from Tradable Shares, even if they are held in small units of one is not in line with reality.</li> </ul>	
3 6	<ul style="list-style-type: none"> <li>In light of the fact that the majority of business corporations, etc., that purchase shares in offerings are considered to be small and medium-sized companies or asset management companies, etc., with a “pure investment purpose” , so in order to treat them fairly, it is necessary to find a way to confirm that the investment is a “pure investment,” even if it cannot be confirmed by statutory disclosure documents. For example, exceptions could be made when a shareholder owns less than a certain number of shares or less than a certain percentage of the total number of listed shares, and those shares could be counted as the Tradable Shares.</li> </ul>	
3 7	<ul style="list-style-type: none"> <li>In the case of small and medium-sized companies, there are many cases where the owner owns shares as a “pure investment” for asset management, so in principle they should be included in Tradable Shares. Only those shares that are clearly identified as “cross-shareholdings” in Annual Securities Reports, etc., should be excluded from Tradable Shares.</li> </ul>	
3 8	<ul style="list-style-type: none"> <li>With respect to “listed shares owned by domestic ordinary banks, insurance companies, and business corporations (corporations other than financial institutions and financial instruments business</li> </ul>	

No.	Summary of Comments	TSE' s Response
	operators),” the scope should be limited to “special interested parties, etc.” as defined in Article 1, Item 31 of the Ordinance on Disclosure of Corporate Information.	
3 9	<ul style="list-style-type: none"> <li>When life insurance companies disclose their shareholdings for “pure investment” purpose in their Integrated Reports, etc., then those shares should be treated as “Tradable Shares.” Specifically, the distinction between “ pure investment purposes” and “for purposes other than pure investment purposes” should be clarified, and details of investment shares that are “for purposes other than pure investment purposes” should be disclosed in those reports, so that shares other than those in question can be treated as “pure investments. ”</li> </ul>	<ul style="list-style-type: none"> <li>※ In the case of shares owned by an insurance company, if the insurance company holds the shares as “pure investment” and have made trades within the most recent five-year, such shares will be treated as Tradable Shares.</li> <li>※ In cases where the purpose of holding and trading performance of individual stocks are disclosed in materials disclosed by insurance companies in accordance with the Insurance Business Law (e.g., integrated reports and disclosure documents), listed companies may submit such disclosure materials to TSE in lieu of the documents prescribed by TSE to be prepared by shareholders.</li> </ul>
4 0	<ul style="list-style-type: none"> <li>Please confirm if the disclosure materials based on Article 111 of the Insurance Act that are disclosed every fiscal year by companies that do not submit Annual Securities Reports, for example, mutual company-type life insurance companies, are statutory disclosure documents as mentioned in the TSE' s outline.</li> </ul>	
4 1	<ul style="list-style-type: none"> <li>Although shares owned by insurance companies are supposed to be excluded from Tradable Shares, many life and non-life insurers own them for “pure investment” purposes and should be included in Tradable Shares because they exercise their voting rights as investors in accordance with the Stewardship Code and their own</li> </ul>	

No.	Summary of Comments	TSE' s Response
	voting standards.	
4 2	<ul style="list-style-type: none"> <li>With regard to the shareholding by Small and Medium Business Investment &amp; Consultation Co., they do not hold listed companies' shares with a perspective of long-term continuous ownership, as their rules of business operations state that "after that company lists and shares are still held, then after listing those shares are to be sold with market trends taken into account", so in calculating Tradable Shares, Small and Medium Business Investment &amp; Consultation Co., shall be excluded from "business corporations, etc." and its shareholdings should be treated as Tradable Shares.</li> </ul>	<ul style="list-style-type: none"> <li>※ As mentioned above, shares owned by Small and Medium Business Investment &amp; Consultation Co., Ltd. will also be treated as Tradable Shares if the purpose of holding is "pure investment" and the track record of trading activity within the last five years can be confirmed.</li> </ul>
4 3	<ul style="list-style-type: none"> <li>The portion owned by the investment development company is intended to be sold after the growth of the company that it invests in, so should be considered as Tradable Shares.</li> </ul>	
4 4	<ul style="list-style-type: none"> <li>Treatment of "cross-shareholdings" held by trust banks that are not "ordinary banks" in their banking accounts and large holdings of shares held in the name of trust accounts of trust banks, which the trust bank explicitly states as "cross-shareholdings" in their Large Shareholding Report should be discussed.</li> </ul>	<ul style="list-style-type: none"> <li>※ The shares held in the name of the trust bank are not excluded from the definition of Tradable Shares, as a certain level of liquidity in the market has been confirmed.</li> </ul>
4 5	<ul style="list-style-type: none"> <li>Stocks held by the trust bank in the banking account are considered to have low liquidity in the market, unlike stocks held in the trust account, and should be excluded from the Tradable Shares.</li> </ul>	<ul style="list-style-type: none"> <li>※ On the other hand, in light of suggestion that shares held in the name of trust banks as bank accounts have low liquidity in the market, we</li> </ul>
4 6	<ul style="list-style-type: none"> <li>What will be the treatment of trust accounts held in the name of</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>trust banks, which are not retirement benefit trusts, etc., but are simply entrusted with the management of the trust accounts? Isn't it possible that cross-shareholdings will be allowed in practice? Also, are there any plans to establish penalties in the event that a trust is created for the purpose of evading the listing rules?</p>	<p>will examine the practical measures to be taken to ascertain the number of such shares and verifying the actual situation.</p> <p>※ Even if the shares are transferred under the name of trust bank as a result of the establishment of the trust, if TSE deems that the purpose of such transfer was to avoid the listing criteria, the shares will fall under the category of "shares that the Exchange deems inappropriate to include in Tradable Shares" and will be excluded from revised definition of Tradable Shares.</p>
4 7	<p>• Is it correct to understand that shares held by a client company of a client stockholding association fall under the category of "listed shares owned by domestic common banks, insurance companies, and business corporations, etc. (corporations other than financial institutions and financial instruments business operators)"? Also, although the members of a business partner's shareholding association include individuals (franchise owners and non-life</p>	<p>※ The shares held by business partners' shareholding associations and other unincorporated entities are not, by definition, shares held by domestic ordinary banks, insurance companies, or business corporations.</p> <p>※ Foundations fall under the category</p>

No.	Summary of Comments	TSE' s Response
	insurance agents) is it correct to understand that the shares owned by individuals are not considered to be cross-shareholdings?	of business corporations, and therefore will be excluded from the definition of the Tradable Shares
4 8	<ul style="list-style-type: none"> <li>• Even if you are a major shareholder (e.g., more than 10%), the nature of the company' s shareholding association is such there will be monthly trading activities. As a result, it should be treated as a Tradable Shares.</li> </ul>	
4 9	<ul style="list-style-type: none"> <li>• The revision of the definition of tradable shares reflects the structural problems of the Japanese stock market, which is said to have many stable shareholders in reality, including policy holders, and is moving toward a good direction, and it will encourage changes in the structure of ownership in the future. However, stable shareholders, client shareholding associations and foundations, which may not necessarily be clearly defined as business corporations, should not be counted holders of Tradable Shares. A client shareholding association is a form of cross-shareholding, and a foundation has been established in recent years as a stable shareholder in some case, and therefore it is inappropriate to include those holdings in “Tradable Shares.”</li> </ul>	
	<p style="text-align: center;">&lt;Shares held by specially interested parties other than directors&gt;</p>	
5 0	<ul style="list-style-type: none"> <li>• In the review of the definition of Tradable Shares, it is proposed that the number of shares held by “spouses and blood relatives within the second degree of kinship of directors of listed</li> </ul>	<ul style="list-style-type: none"> <li>※ Under the current review of market structure, in order to standardize the continuing listing criteria with</li> </ul>

No.	Summary of Comments	TSE' s Response
	<p>companies” and “affiliates of listed companies and their directors” will be excluded from “Tradable Shares” . Each of these points is likely to be very broad, which would be very burdensome for listed companies to investigate and monitor, and the draft may also raise concerns about the operation from the perspective of personal information. Even from the perspective of effectiveness, it may cause problems, so this revision of the definition should be reconsidered.</p>	<p>the initial listing criteria, the continuing listing criteria also define “special interested parties other than directors and officers” to include (1) spouses and blood relatives within the second degree of kinship of directors and officers of the listed company, (2) companies in which the majority of voting rights are held by directors of the listed companies’ and the parties listed in (1) above, and (3) companies affiliated with listed companies and their directors, are excluded from Tradable Shares.</p>
5 1	<ul style="list-style-type: none"> <li>• In the review of the definition of Tradable Shares, if the “spouse and blood relatives within the second degree of kinship” (e.g., brothers and sisters) of an director refuse to cooperate in declaring their shareholdings, how should a listed company submit a “list of distribution of share certificates, etc.”?</li> </ul>	
5 2	<ul style="list-style-type: none"> <li>• There is a considerable amount of work involved in compiling the “Ownership of Specially Interested Parties Other Than Directors and Officers,” however the percentage of the total number of shares issued will be extremely limited. When listed companies with a large number of shareholders are expected to have special interested parties, it is desirable to set exceptions or smaller criteria from the viewpoint of reducing the workload.</li> </ul>	<p>※ As suggested, in light of the fact that it may be difficult for listed companies to confirm the above (1) to (2), it is sufficient to report to TSE to the extent that it is currently possible to ascertain. For example, there may be cases where it</p>
5 3	<ul style="list-style-type: none"> <li>• With regard to “spouses and blood relatives within the second degree of kinship of directors of listed companies” and “affiliated</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>companies of listed companies and their officers," it is difficult to conduct regular checks at the current frequency, given the increasing number of cases of foreign nationals serving as officers and companies with a vast number of affiliated companies under, and they should not be included in the "Continuing Listing Criteria." It is desirable to take measures to ease the practical burden, such as making confirmation unnecessary for non-resident foreigners. From the perspective of reducing the burden on issuer companies, please consider building a system to make it easier.</p>	<p>is difficult to ascertain the ownership, such as, of the parties in (1) those who do not live with the officer or who reside overseas, and those affiliated companies whose individual names are not listed in "Part I. Corporate Information", "1. Summary of the Corporation," "4. Affiliated Companies" of the Annual Securities Report and their officers. In the event that there is any person whose ownership status is difficult to ascertain among those listed in (1) through (3) above, the listed company will report to TSE the reason thereof.</p>
5 4	<ul style="list-style-type: none"> <li>• With regard to confirming and ascertaining the shareholdings of "executives of affiliated companies of listed companies," for example, is it required to accurately ascertain the number of shares held by all of these individuals as of the record date, even if the number exceeds 1,000? After the record date, there will be an enormous amount of preparation, information gathering, calculation, verification, and risks associated with handling of personal information and other information.</li> </ul>	<p>In the event that there is any person whose ownership status is difficult to ascertain among those listed in (1) through (3) above, the listed company will report to TSE the reason thereof.</p>
5 5	<ul style="list-style-type: none"> <li>• Is it correct to understand that only the shares held by directors and executive officers under the Companies Act are non-Tradable shares in the case where directors and executive officers are members of the directors' shareholding association? In addition, shares less than one unit held by directors and executive officers</li> </ul>	<p>※ As is currently the case, the Directors' Shareholding Association will be treated as falling under the category of shares owned by directors. In the case where</p>

No.	Summary of Comments	TSE' s Response
	<p>(who acquire their own shares through salary deductions) are held in the name of the securities company handling them, and are classified as the directors' holdings in the supplementary register, and will these shares be treated as non- "Tradable Shares" ?</p>	<p>directors and executive officers under the Companies Act are members, only the portion owned by such directors and executive officers (as defined in the Companies Act) will be excluded from the shares in circulation.</p> <p>※ Shares held in the name of the securities company in the shareholders' register, will be counted as Tradable Shares as unless it holds more than 10% of listed shares.</p>
	<p>&lt;Shares that the Exchange deems inappropriate to be counted as "Tradable Shares" &gt;</p>	

No.	Summary of Comments	TSE' s Response
5 6	<ul style="list-style-type: none"> <li>Who will determine whether or not there has been an evasion, and by what method? In practice, the issuing company prepares the shareholdings distribution report, based on the list of shareholders, and it is unlikely that the issuing company will check whether or not its own shareholders are trying to evade the listing rules, so it may not be able to stop the act of misconduct.</li> </ul>	<ul style="list-style-type: none"> <li>※ The "shares that the Exchange deems inappropriate to include in Tradable Shares" will be determined on a case-by-case basis.</li> <li>※ Examples include, but not limited to cases when a shareholder who owns 10% or more of the listed shares divided and held those shares under multiple accounts (fictitious person), even though the beneficial owners is the same, as if there were multiple shareholders with less than 10%.</li> </ul>
5 7	<ul style="list-style-type: none"> <li>Is it correct to assume that the top 10 shareholders listed in (b) of "Special Interested Parties, etc." as defined in Article 1, Item 31 of the Disclosure Office Ordinance are not considered to fall under this category for that reason alone?</li> </ul>	<ul style="list-style-type: none"> <li>※ As understood.</li> </ul>
<Publication of umber of Tradable Shares etc.>		
5 8	<ul style="list-style-type: none"> <li>When an investor invests in a listed company, whether that company is listed on the Standard market, Prime market or the Growth market is an important information in making an investment decision. The number of Tradable shares and the market capitalization of Tradable shares are elements of the listing criteria should be publicly</li> </ul>	<ul style="list-style-type: none"> <li>※ From the perspective of ensuring transparency in the operation of the continuing listing criteria, TSE will consider how to publicize the information provided by each listed</li> </ul>

No.	Summary of Comments	TSE' s Response
	available at the time of listing or when there is a change in the number of Tradable shares.	company.
5 9	<ul style="list-style-type: none"> <li>We comment that the exchange is revising the current definition of Tradable shares so that it is more in line with actual conditions. A similar concept is that of "free floating shares" in TOPIX, but the coexistence of the two is likely to cause confusion among users. There are many problems with "free floating shares," such as the fact that shares held by ETFs in the name of domestic custodians are treated as fixed shares, so the new "Tradable Share" definition is more appropriate. Therefore, the number of Tradable Shares and the ratio of Tradable Shares of listed stocks should be updated at an appropriate frequency and announced both domestically and internationally, and the ratio of Tradable Shares should be used in the calculation of TOPIX as Free-Floating Weight.</li> </ul>	<ul style="list-style-type: none"> <li>※ If a listed company is not in compliance with the criteria for Tradable Shares, it is required to disclose a "Plan for Compliance with Continuing Listing Criteria"; therefore, the status of compliance with the criteria for Tradable Shares can be confirmed by this disclosure.</li> <li>※ The definition of "floating stock" in TOPIX is different because it can be calculated using publicly available information and it is important that it is widely trackable by users of the index.</li> </ul>
6 0	<ul style="list-style-type: none"> <li>Although the number of Tradable Shares can be calculated by third parties under the current definition, only TSE, the listed company itself, and the administrator of the listed company's shareholder registry will be able to calculate the number under the revised definition. We are concerned that this will undermine the transparency of how the listed companies are complying with the continuing listing criteria. As with the Free Float Wight, we request transparency of these numerical information through</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>dissemination of information, etc.</p> <ul style="list-style-type: none"> <li>In addition, since the number of Tradable Shares under the revised definition is only available to certain people, if the applicability of such figures is unclear, such as if it is left to the discretion of the listed company to determine whether or not such figures fall under the category of "material information" under the fair disclosure rules, investors and analysts may be unduly sensitive to the handling of such figures. This may lead to unnecessary speculation and confusion. In light of the above, TSE should manage this information and make all the relevant figures transparent, etc.</li> </ul>	
6 1	<ul style="list-style-type: none"> <li>In the future, it will be possible for TSE to ascertain the ratio of all cross-shareholdings in the reporting of the "Distribution of Share Certificates, etc.". Currently, information on the top cross-shareholdings held by the companies with which we have dialogues is available in the periodic Annual Securities Report, however, it is difficult to collect and analyze information on how much the companies' shares are held by others as cross-shareholdings and use it for dialogues. Therefore, it is appropriate to publish information TSE obtains through "Distribution of Share Certificates, etc."</li> </ul>	
6 2	<ul style="list-style-type: none"> <li>In line with the revision of the definition of Tradable Shares, the format of the "Distribution of Share Certificates, etc." is also</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>scheduled to be revised, but it would be better if "business corporations, etc. and special interested parties other than directors and officers" are disclosed separately rather than being combined in the same category as "domestic ordinary banks, insurance companies, business corporations, etc. and special interested parties other than directors and officers". It is better to disclose business corporations, etc. and special interested parties other than directors and officers separately in the form of "ordinary banks, insurance companies, business corporations, etc. and special interested parties other than directors and officers," rather than adding them together as the same category.</p>	
6 3	<ul style="list-style-type: none"> <li>• Since it is currently possible to estimate the number of Tradable Shares by the "status of shareholders by type of ownership" and "status of major shareholders" in Annual Securities Reports, in addition to the revision of the definition of the Tradable Shares, the revision of the Ordinance on Disclosure should be considered as well. For example, the "shareholders by type of ownership" should be reclassified into three categories, "financial institutions" and "financial instruments business operators" should be separately counted for "trust accounts, etc." and "others" in the "status by ownership" section (i.e., those held as custodians and those held for cross-shareholdings should be classified separately), and</li> </ul>	

No.	Summary of Comments	TSE' s Response
	"foreign corporations, etc." should be classified in the same way as in the domestic section.	
	<At the time of initial listing>	
6 4	<ul style="list-style-type: none"> <li>Currently, the shares to be offered in the initial public offering, secondary offering and other offerings (excluding the shares to be offered through over-allotment) are counted as Tradable Shares, will this treatment change? In the case where there is an assumption that a portion of the offering is placed to certain party at the time of initial listing, will the portion of the offering that is placed excluded from Tradable Shares. In addition, how should such placements be described in the "public offering or sale of securities " and "notice of public offering or sale of securities".</li> </ul>	<ul style="list-style-type: none"> <li>※ In principle, under the revised Tradable Share definition, the new shares to be offered in the initial public offering and the shares to be offered in the secondary offering (excluding the shares to be offered through over-allotment) are counted as Tradable Shares. With respect to new shares issued to certain persons by way of a parallel third-party allotment, such new shares may fall under the category of Tradable Shares and it will be determined on a case-by-case basis.</li> <li>※ However, if the number of Tradable Shares, the total market capitalization of Tradable Shares, and the ratio of Tradable Shares on the listing date are expected to be</li> </ul>

No.	Summary of Comments	TSE' s Response
		<p>close to the minimum levels specified in the listing criteria, and if there is a possibility that the continuing listing criteria will be violated after the listing when taking into account the portion of the shares to be sold through the placement to third parties at the time of listing, underwriters will be required to explain the allocation policy, etc.</p>
6 5	<ul style="list-style-type: none"> <li>In the case where a private equity fund or a venture capital management fund is a shareholder, up to a certain percentage of the shares held by such fund in the initial listing, regardless of whether such fund is a major shareholder or not, shall be sold. Is it correct that no consideration will be given to the inclusion of Tradable Shares? Due to their nature, there is a possibility that these shares will be sold at the time of the initial public offering and after.</li> </ul>	<ul style="list-style-type: none"> <li>✘ It is not expected that the shares held by shareholders who are private equity funds, venture capital funds, and business corporations that invest in unlisted companies will be treated as Tradable Shares regardless of the ownership ratio.</li> <li>✘ In case of an initial public offering, please take steps to improve the distribution of shares so that sufficient liquidity is ensured, taking into account the market</li> </ul>
6 6	<ul style="list-style-type: none"> <li>It is assumed that there may be cases where business companies, etc. that invest in unlisted companies cannot necessarily be classified as holding such shares as “pure investment” purposes, such as investing in certain industries, etc. with an interest in the</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>synergy in their own business and the business or intellectual property, etc. of the company in which they invest. Of these shares, shares held for purposes other than “pure investment” purposes, such as those held by financial institutions and business companies that own less than 10%, may well be sold and disposed of after listing (except for shares held through business or capital tie-ups). Therefore, transitional measures, such as allowing these shares to be included in Tradable Shares for a certain period of time, taking into account the lock-up period and subsequent period of sale and disposal, should be taken for initial listing.</p>	<p>concept to list on.</p>
	<p>&lt;Others&gt;</p>	
<p>6 7</p>	<ul style="list-style-type: none"> <li>• In calculating the number of Tradable Shares, it is expected that it will be difficult for issuer companies to determine shares held in trust and/or the exceptions based on the purpose of holding as stated in Large Shareholding Reports. Since not all queries can be covered in the Q&amp;A in advance, TSE should consider establishing a dedicated consultation service.</li> </ul>	<ul style="list-style-type: none"> <li>※ Each listed company has its own person to contact in terms of disclosure related questions, so please do not hesitate to ask the person in charge.</li> <li>※ In light of the requests, we will consider setting up a contact point for inquiries regarding this matter prior to the start of the application period for market segment selection.</li> </ul>
	<p>2. Procedures for selecting new market segments</p>	

No.	Summary of Comments	TSE' s Response
	(1) Selection by listed company	
6 8	<ul style="list-style-type: none"> <li>Rather than having all listed companies select and apply for a new market segment, TSE should first notify each listed company of the market to which it plans to transition, depending on its compliance with the continuing listing criteria, and only if the listed company wishes to list on a market other than the one notified by TSE should it submit a "Market Selection Application. " Even if all listed companies have to choose a new market segment, if they choose to transition to the market to which they have been notified by TSE based on their compliance with the continuing listing criteria, it should be left to the discretion of the listed company to decide whether or not another resolution of the board of directors is necessary, and submission of a "Document certifying the resolution of the board of directors regarding the intention of market selection" may be optional. If a resolution by the board of directors is still necessary, it may be necessary to submit a "document certifying the contents of the resolution by the board of directors regarding the intention to select a market." Sample of the "Document certifying the resolution of the board of directors regarding the intention of market selection" should be published as soon as possible.</li> </ul>	<ul style="list-style-type: none"> <li>※ The purpose of this review of market structure is to encourage listed companies to select the market segment that they believe is most appropriate for their company, based on the new market segment concept and listing criteria (including the Corporate Governance Code), and to further promote sustainable growth and medium- to long-term corporate value enhancement.</li> <li>※ Therefore, it is not expected that TSE will select the new market segment for each company, and we would like each listed company to deliberate and have the Board approve the new market segment it is going to apply to.</li> <li>※ In the event that the procedure for selecting the new market segment is not carried out, listed companies on</li> </ul>
6 9	<ul style="list-style-type: none"> <li>TSE, as a creditor of a listed company, to request the submission</li> </ul>	

No.	Summary of Comments	TSE' s Response
	<p>of the minutes of the board of directors, i.e., to request inspection or copying, without following the legal procedures, would be damaging it legal relationship. Therefore, in this case, only the results of the resolution passed by the board of directors should be notified.</p>	<p>the 1st Section, 2nd Section and JASDAQ Standard Market are expected to move to the Standard market, and listed companies on Mothers and JASDAQ Growth Market are expected to move to the Growth market.</p> <p>※ In addition, the “Document certifying the Board resolution regarding the market selection” shall be included application form for market selection”.</p> <p>※ “Document certifying the Board resolution regarding the market selection” can be a copy of a relevant excerpts of the minutes of the Board of Directors’ meeting. If the date of the Board of Directors’ resolution is specified in the application form for market selection, the copy of the excerpts of minutes itself can be submitted later.</p>

No.	Summary of Comments	TSE' s Response
70	<ul style="list-style-type: none"> <li>There is a concern that companies will be overburdened by having to prepare and submit a "Plan for Compliance with Continuing Listing Criteria" in a very short period of time. In addition, it is necessary to ensure sufficient transparency around the process of how the content of the plan will be reviewed and the content itself, in order to build confidence in the New Market Structure.</li> </ul>	<ul style="list-style-type: none"> <li>※ The guidelines for preparing the "Plan for Compliance with the Criteria for Maintaining Listing" will be notified to each listed company by the week of May 10. If there are any matters that have not yet been determined by the end of December this year, which is the deadline for the procedures to select a new market segment, it may be possible to include a statement to that effect, the basic policy for dealing with such matters, and the expected timing for determining the details.</li> <li>※ Listed companies are required to disclose their "plan for compliance with listing maintenance criteria. In addition, the progress of the plan should be disclosed at least once a year on an ongoing basis, and any material changes to the disclosed information should be disclosed as</li> </ul>

No.	Summary of Comments	TSE' s Response
		<p>appropriate.</p> <p>※ The content of the "Plan for Compliance with the Criteria for Maintenance of Listing" must be a reasonable plan to compliance with the continuing listing criteria, but TSE does not plan to review the content in advance (TSE will conduct a review from the perspective of appropriateness of disclosure, as with the handling of any other timely disclosure materials in general.).</p>
7 1	<ul style="list-style-type: none"> <li>Regarding the market selection procedure application, does it require timely disclosure?</li> </ul>	<p>※ Although we do not believe that the content of the application for the new market segment selection procedure falls uniformly under the category of matters that require disclosure in a timely manner, we may request disclosure in light of its impact on the investment decisions of investors (for example, if the content of the application becomes</p>
7 2	<ul style="list-style-type: none"> <li>How should the listed companies handle the information regarding the market selection procedure application?</li> </ul>	

No.	Summary of Comments	TSE' s Response
		<p>the subject of media coverage/reporting, etc., and as a result affects the formation of stock prices in the market).</p> <p>※ As a general rule, from the perspective of proactive IR and avoiding violation of insider trading regulations for executives, etc., voluntary proactive information disclosure is encouraged regardless of whether it falls under the category of mandatory timely disclosure requirement.</p> <p>※ When commenting on the details of the application for market segment selection in meetings, etc., there is a possibility that the institutional investors may require disclosure of the details in order to avoid violating fair disclosure regulations. In addition, in the business plan to be announced at the announcement of financial results or</p>

No.	Summary of Comments	TSE' s Response
		<p>the general meeting of shareholders, the "Plan for Compliance with the Criteria for Maintenance of Listing" could be mentioned, based on the contents of the application in the procedure for selecting the new market category.</p>
	(2) Determination of new market segments	
7 3	<ul style="list-style-type: none"> <li>With regard to the procedures for applications for the selection of new market segments, if it requires examination to confirm compliance with the initial listing criteria of the new market, is it correct to understand that the application can be made at any time from September 2021 up to December 30, 2021? Also, when TSE says that application should be submitted at the earliest convenience, is there a specific deadline? Also, please confirm whether there are any differences in the initial listing examination from the current examination.</li> </ul>	<ul style="list-style-type: none"> <li>✘ As the deadline for the procedures for applying for the selection of a new market segment is December 30, 2021, if the listed company chose a market segment that requires listing examination, the process should be completed by the deadline as well.</li> <li>✘ In this examination procedure, the same documents as those for the application for change of market classification under the new market structure must be submitted, and the same procedures as for the initial listing must be followed. (In this</li> </ul>
7 4	<p>How will the new market segment for those companies that are still going through listing examination at the time TSE publishes in January 2022 the new market segment, for example, a listed company on the 1st section of the market chooses the Growth market. Is it correct that the review will be completed in January? In addition,</p>	

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	<p>is it correct to understand that the fact that the announcement will be made in a short period of time after the end of the selection period (December 30, 2021) means that, in effect, only the numerical aspects will be examined, except in cases where an examination is conducted to confirm whether the initial listing criteria of the market segment to be selected are met?</p>	<p>case, the appropriateness of disclosure of corporate information and the effectiveness of corporate governance and internal control systems will be reviewed based on the track record of the company after listing)</p>
<p><b>3. Transitional Measures Concerning Continuing Listing Criteria</b></p>		
<p>7 5</p>	<ul style="list-style-type: none"> <li>The application of the transitional measures should be limited to a minimum period of time. Since under the transitional measures, companies that do not meet the new market concept and criteria may continue to remain if they continue to submit "Plan for Compliance with Continuing Listing Criteria" and "progress reports" based on those plans. If the transitional measures are to be applied for a long period of time, it may be necessary to take measures such as a gradual increase in each criteria to encourage companies that do not meet the criteria for the new market category to take action to meet the criteria and to submit a "progress report" based on the criteria, or transfer to other market segments.</li> </ul>	<ul style="list-style-type: none"> <li>※ The transitional measures are designed to provide a period of time for listed companies to make progress toward compliance in cases where they do not meet the continuing listing criteria for the new market segment.</li> <li>※ The application period of the transitional measures will be reviewed after the transition to the new market segment, taking into account the contents of the "Plan for Compliance with the Criteria for Maintenance of Listing" of each listed company (the period required</li> </ul>
<p>7 6</p>	<ul style="list-style-type: none"> <li>With regard to transitional measures, it is appropriate not to set an effective date for transitional measures for the time being in consideration of the impact of COVID-19. However, the content of</li> </ul>	

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	<p>the improvement plan should be strictly examined, especially for listed regional banks, in accordance with the report of the Banking System Working Group of the Financial System Council.</p>	<p>for improvement and the progress after the transition to the new market segment) and the external environment such as the impact of the COVID-19 on the business activities of each listed company.</p>
7 7	<ul style="list-style-type: none"> <li>• A time limit should be set for transitional measures. It seems as if companies can stay listed indefinitely even if they do not meet the continuing listing criteria, as long as they submit (or update) their "Plan for Compliance with Continuing Listing Criteria" within the prescribed period. This would make the continuing listing criteria meaningless, and it would also make it difficult to determine which companies meet the criteria and which companies do not meet the criteria but maintain listing through transitional measures, which is a risk of fostering a sense of distrust with a market that lacks transparency for users. The deadline for the transitional measures should be aligned with the schedule for the revision of TOPIX. However, it should be noted that this would be regarded by global investors as "de facto procrastination" and TSE may lose credibility.</li> </ul>	<ul style="list-style-type: none"> <li>※ In considering the delisting of shares, TSE will continue discussions with a wide range of market participants on issues such as securing trading opportunities for shareholders.</li> <li>※ TSE plans to announce the results of the selection of the new market segment by listed companies on its website in January 2022 and will also announce the results for companies to which the transitional measures apply.</li> </ul>
7 8	<ul style="list-style-type: none"> <li>• In light of the expected impact of the transition to the new market segment in April 2022, we understand that the provision of transitional measures to apply relaxed listing standards to companies that have submitted a "Plan for Compliance with Continuing Listing Criteria" is a necessary measure to avoid unnecessary</li> </ul>	

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	confusion. However, the transitional measures should be closely monitored, and information sufficiently disclosed, so that it does not become effectively indefinite,	
7 9	<ul style="list-style-type: none"> <li>Regarding the grace period for when the listed company is not compliant with the continuing listing criteria for Tradable Shares, realistic period of time should be set in consultation with the company, taking into account the situation of individual shareholders, etc., rather than a uniform period.</li> </ul>	
8 0	<ul style="list-style-type: none"> <li>It is necessary to propose how to create a market to receive companies that will no longer be able to maintain their listing status.</li> </ul>	
4. Others		
8 1	<ul style="list-style-type: none"> <li>The names "Prime," "Standard," and "Growth" markets are confusing. First section, second section and third section would be better.</li> </ul>	<ul style="list-style-type: none"> <li>※ The purpose of the review of market structure is to clarify the concept of each new market segment and to create a market structure that supports the sustainable growth and medium- to long-term corporate value enhancement of listed companies and is attractive to investors.</li> <li>※ Each market segment is independent and there is no structural order (no</li> </ul>

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		one segment is superior or inferior to the other)
8 2	<ul style="list-style-type: none"> <li>Under the new market structure, each market is positioned as an independent market with no clear hierarchical relationship, but investors regard the Prime market as the top tier market. Therefore, encouraging more companies to meet the high standards of the Prime market will promote the health of the stock market and contribute to the revitalization of capital markets. From this point of view, it is necessary to provide sufficient merits and incentives for companies to seek listing on the Prime market, however, the present model does not show the merits clearly.</li> </ul>	<ul style="list-style-type: none"> <li>※ The Prime market is designed based on the concept of "a market for companies that have a market capitalization (liquidity) large enough to be the investable by many institutional investors, have a higher level of governance, and are committed to sustainable growth and medium- to long-term enhancement of corporate value, with a focus on constructive dialogue with investors."</li> <li>※ TSE will continue to make every effort to ensure that many companies achieve sustainable growth and enhancement of corporate value over the medium to long term with a focus and as a result, have many companies listed on Prime market.</li> </ul>
<Revision of the Corporate Governance Code, etc.>		

No.	Summary of Comments	TSE' s Response
8 3	<ul style="list-style-type: none"> <li>Please clarify the "higher level of governance" that is supposed to be required of listed companies in the Prime market. If it is expected that issuers may need a certain amount of time to respond depending on the contents of the revised requirements, introduction of transition measure may be appropriate to to set aside sufficient period of time to prepare.</li> </ul>	<ul style="list-style-type: none"> <li>✘ With regard to the revision of the Corporate Governance Code, the "Revision, etc. of Japan' s Corporate Governance Code Based on the Proposal of the Council (Third set of revisions pertaining to cash equity market restructuring) "</li> </ul>
8 4	<ul style="list-style-type: none"> <li>The "principle-based approach," which is "comply or explain" basis, of the Corporate Governance Code should be maintained. Based on expectations for improved rational, consistency, and transparency, by clarification of the concept of market segments, the requirements of each market segment should be maintained.</li> <li>With respect to the principles and supplementary principles of the Corporate Governance Code should be set as rules for listing. The principles and supplementary principles of the Corporate Governance Code, other than those required to be complied with in the listing rules, it is of course sufficient to "comply or explain" them in accordance with the principle-based approach of the Code.</li> </ul>	<ul style="list-style-type: none"> <li>(hereinafter referred to as the "Third Amendment to the Rules"), (hereinafter referred to as the "Third Amendment") was published on April 7, 2021 for public consultation.</li> <li>✘ Companies listed on the Standard and Prime markets are required to "comply or explain" with all the principles of the revised Corporate Governance Code, while companies listed on the Growth market are required to "comply or explain" only with the basic principles. The</li> </ul>
8 5	<ul style="list-style-type: none"> <li>In order to encourage the voluntary application of all the principles of the Corporate Governance Code by the Growth market listed companies, some incentives such as stock price indices according to the degree of a compliance should be considered.</li> </ul>	<ul style="list-style-type: none"> <li>only with the basic principles. The</li> </ul>

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8 6	<ul style="list-style-type: none"> <li>I agree that Corporate Governance should aim for a higher level, but I hope that the content will be such that it will ensure substantive aspects. In particular, the disclosure aspect needs to be strengthened. For example, it cannot be said that the importance of the Independent Director is sufficiently known and understood even among companies that fall under the Prime market, and it is currently not sufficient for judging independence. We hope that excessive burdens will be eliminated, taking into account the opinions of companies, and that governance-related disclosures will be promoted so as to contribute to investors' decision-making.</li> </ul>	<p>“Follow-up Meeting on the Stewardship Code and Corporate Governance Code” recommended that the “Revision of the Corporate Governance Code and the Guidelines for Investor-Corporate Dialogue” should promote voluntary efforts to improve governance in the Growth market as well, in line with the principles and supplementary principles, depending on the situation of each of the company.</p> <p>※ Of the revised Corporate Governance Code, principles that only applies to Prime market listed companies will be effective from April 4, 2022. Listed companies with fiscal year ending on March 31, for example, is required to submit Corporate Governance Report after the Annual General Meeting held on or after April 4, 2022 with “comply or explain” on all principles,</p>

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		<p>including those for Prime market listed company.</p> <p>※ "Corporate Governance Report Manual" will be revised based on the revision of the "Corporate Governance Code." Additionally, based on the comments received during public consultation, the necessary measures to enhance disclosure of other governance-related matters, including independent director will be taken.</p>
8 7	<ul style="list-style-type: none"> <li>• If a provision is made to make it easier for companies with a market capitalization of more than 100 billion yen to stay listed even when they are insolvent, the fee for staying listed must be raised.</li> <li>• In the case where a company is unable to eliminate its excess liabilities despite having more than market capitalization of 100 billion yen, it must mean that the company has been unable to increase its capital for a certain period of time due to malicious window dressing.</li> </ul>	<p>※ As for the listing-related fees after the transition to the new market segment, public consultation of the above mentioned Third Amendment started in April 7, 2021.</p> <p>※ Structure of the annual listing fee is the same and will be calculated based on the market segment and market capitalization.</p>

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		※ Although the listing-related fees after the transition to the new market segmentation do not reflect the suggestion, if TSE finds that a listed company has damaged the confidence of shareholders and investors in TSE' s markets by committing a material violation of the listing rules, as with the current treatment, the company will be subject to a penalty charge.

\*Comments : 1, 19, 36, 38, 47, 48, 55, 57, 64, 65, 73 & 74 are from Nomura Securities Co., Ltd, 2, 37 & 41 are from ALPS LOGISTICS CO., LTD., 4, 24, 75 & 82 are from Resona Asset Management Co., Ltd., 8, 12, 32 & 78 are from Sumitomo Mitsui Trust Asset Management Co., Ltd., 10 is from Strategic Capital, Inc., 11, 13, 15 & 62 are from Nikko Research Center, Inc, 16 is from IFRS Foundation, 17 is from Radix Trading Europe B.V., 18 is from Simplex Asset Management Co., Ltd., 20, 50, 51, 60 & 66 are from Daiwa Securities Co. Ltd., 23, 61, 77 & 84 are from FIL Investments (Japan) Limited, 26 is from AIRPORT FACILITIES CO., LTD., 27 is from GECOSS CORPORATION, 29 is from Trust Companies Association of Japan, 30 is from Powdertech Co., Ltd., 31 is from CRE, Inc., 33 is from NS Solutions Corporation, 39 is from The Life Insurance Association of Japan, 40, 44 & 63 are from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., 49, 70 & 86 are from The Investment Trusts Association, Japan, 52, 53, 67, 68, 79 & 83 are from KEIDANREN (Japan Business Federation), 58 is from Refinitiv Japan K.K., 59 is from SMBC Nikko Securities Inc.. All other comments are from individuals.