

## Revisions to the Trading Rules to Further Enhance the Functionality of the Cash Market

May 22, 2026  
Tokyo Stock Exchange, Inc.

### I. Purpose

Tokyo Stock Exchange, Inc. (TSE) has been working to improve its trading rules in order to enhance the convenience of the cash market and the transparency of closing price formation. In conjunction with the renewal of the cash equity trading system in November 2024, TSE extended trading hours and introduced a closing auction session for trades at the end of the afternoon trading session. In addition, in May 2023, with a view to creating an environment in which a wide range of investors, particularly retail investors and long term investors, are able to execute trades at more favorable prices, TSE optimized tick sizes for medium liquidity stocks, taking into account recommendations made by the Working Group on Capital Market Regulations of the Financial System Council and other relevant discussions.

Against this background, TSE established another Working Group (TSE WG), composed of a diverse range of market stakeholders, to conduct evaluations of the effects of recent revisions to the trading rules and examine possible further improvements. Based on these discussions, TSE published the Report From the Working Group on Trading Rules in April 2026.<sup>1</sup>

Based on the results of the discussions and studies conducted by the TSE WG, TSE will revise the trading rules from the perspective of further enhancing the functionality of the cash market.

In particular, with the aim of achieving earlier closing price formation and mitigating volatility, TSE will introduce random closing in the closing auction session, which is a system where the time of the afternoon close *Itayose* is randomly determined within a certain period on each business day. In addition, given that the TSE market is accessible to a wide range of investors, with the objectives of reducing excessive volatility and signaling effects (trading intentions

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<sup>1</sup> Public Release of the Report From the Working Group on Trading Rules  
(<https://www.jpx.co.jp/english/corporate/news/news-releases/1030/20260422-01.html>)

being revealed) at the time of order execution as well as further reducing investors' execution costs, TSE will introduce a new framework for setting tick sizes based on each issue's liquidity over a certain period. This will replace the current system under which tick sizes are determined based on index classifications.

## II. Outline

Item	Description	Notes
<p>1. Improving the Closing Auction Session (Introduction of Random Closing)</p>	<ul style="list-style-type: none"> <li>• For issues for which a closing auction session is carried out at the end of the afternoon trading session, the afternoon close <i>Itayose</i> will be conducted at a random time between 15:29:30 and 15:30:00 on each business day.</li> <li>• The <i>Itayose</i> time on each business day will be the same for all issues for which a closing auction session is carried out.</li> <li>• During the order acceptance period (pre-closing), new orders, modifications of order price and volume, and cancellations will be allowed up to the time of the afternoon close <i>Itayose</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent with the current arrangements, bonds, convertible bonds with share warrants, and exchangeable corporate bonds will continue to be excluded from the closing auction session.</li> <li>• Regardless of the <i>Itayose</i> time, the start time for VWAP Guarantee Trading, VWAP Target Trading, and VWAP Trading between agency orders (Afternoon Session VWAP and All-Day VWAP) in Single Stock trading on the ToSTNeT market, as well as for Closing Price trading on the ToSTNeT market, will be 15:30.</li> <li>• Measures to address inappropriate order submission patterns currently implemented in accordance with the "Guidelines Concerning Focused Monitoring of Order Changes in Closing Auction"<sup>2</sup> will be continued</li> </ul>

<sup>2</sup> Guidelines Concerning Focused Monitoring of Order Changes in Closing Auction (<https://www.jpx.co.jp/english/equities/trading/strengthening/dreu25000004sar-att/en.pdf>)

Item	Description	Notes
		<p>after the introduction of random closing.</p> <ul style="list-style-type: none"> <li>From the perspective of further enhancing transparency in closing price formation, Indicative Equilibrium Prices (IEPs) and Indicative Equilibrium Volumes (IEVs) at pre-closing will be disseminated via FLEX.<sup>3</sup></li> </ul>
<p>2. Further Optimization of Tick Sizes</p> <p>(1) Determination of Tick Sizes Based on Liquidity Levels</p>	<ul style="list-style-type: none"> <li>In principle, for stocks listed on TSE, the applicable tick size table will be determined based on a liquidity indicator (STR) over a certain period.</li> </ul>	<ul style="list-style-type: none"> <li>STR (<u>S</u>pread to <u>T</u>ick <u>R</u>atio) is an indicator that shows how many ticks the nominal spread (the difference between the best ask price and the best bid price) represents, by dividing the nominal spread by the tick size.</li> <li>The tick size table to be applied at the time of implementation of this new framework will be determined based on STRs and other factors prior to the implementation.</li> <li>For details of the tick size tables, please refer to the Appendix.</li> </ul>

<sup>3</sup> Indicative Equilibrium Prices (IEPs) and Indicative Equilibrium Volumes (IEVs) will also be disseminated during the five minutes prior to the opening of both the morning and afternoon sessions.

Item	Description	Notes
	<ul style="list-style-type: none"> <li>• For ETFs, ETNs, and leveraged products (excluding issues with a trading unit of one unit), Tick Size Table A will apply.</li> <li>• For issues whose trading unit is one share (one unit),* a dedicated tick size table (Tick Size Table O) will apply in order to prevent executions at prices below JPY 1. *This includes certain ETFs, ETNs, leveraged products, REITs, infrastructure funds, preferred equity investment securities and other instruments.</li> <li>• In principle, Tick Size Table C will apply to newly listed issues, including those transferred from other markets.</li> </ul>	<ul style="list-style-type: none"> <li>• For issues listed via a technical listing, TSE will determine the applicable tick size table on a case-by-case basis, taking into account the tick size table that had been applied to the former issue (that is, the issue delisted as a result of the technical listing).</li> <li>• As is currently the case, the tick size table applicable to each issue will be published via FLEX (next-day issue information) on the evening of the previous business day, and will also be published on the TSE website.</li> </ul>

Item	Description	Notes
(2) Periodic Review of Tick Sizes	<ul style="list-style-type: none"> <li>• At the beginning of August each year, a periodic review of the applicable tick size tables will be conducted as set out below, based on the median STRs over the evaluation period (the nine-month period from August of the previous year through April of the current year).</li> <li>- STR &lt; 1.5: The applicable tick size table will be revised to the next smaller tick size table.</li> <li>- <math>1.5 \leq \text{STR} \leq 5.0</math>: No change will be made.</li> <li>- STR &gt; 5.0: The applicable tick size table will be revised to the next larger tick size table.</li> </ul>	<ul style="list-style-type: none"> <li>• The results of the periodic review will be published around June each year.</li> <li>• For example, for an issue to which Tick Size Table B is applied, if the STR during the evaluation period is 1.2, Tick Size Table A will apply after the periodic review.</li> <li>• For issues to which Tick Size Table A is applied and whose STR during the evaluation period is below 1.5, or for issues to which Tick Size Table C is applied and whose STR during the evaluation period exceeds 5.0, no revision of the tick size table will be made.</li> <li>• For issues newly listed during the evaluation period, the determination will be made based on STR data from the listing date through the end of the evaluation period. However, issues newly listed in or after April will not be subject to the periodic review conducted in August of the same year.</li> </ul>

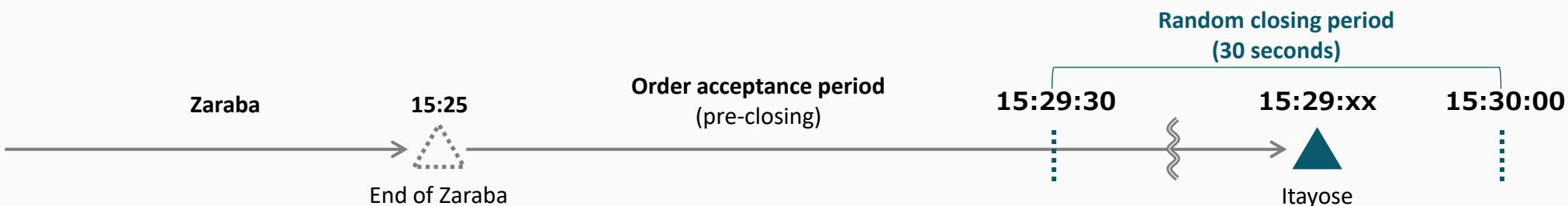
### III. Implementation Schedule (Planned)

These revisions are expected to be implemented around the third quarter of FY2027 for Item 1 and around the fourth quarter of FY2026 for Item 2. The specific timing will be determined based on the readiness of TSE and market participants, among other considerations.

## Implementation Overview of Random Closing

Item	Overview
Random Closing Period	<ul style="list-style-type: none"> <li>A 30-second period between 15:29:30 and 15:30:00</li> </ul>
Timing of the Itayose	<ul style="list-style-type: none"> <li>The afternoon close Itayose is carried out at a random time within the random closing period (the above 30 seconds) on each business day</li> <li>The Itayose time is the same for all issues for which a closing auction session is carried out.</li> </ul>
Restrictions Based on Order Type	<ul style="list-style-type: none"> <li>There are no restrictions based on order type, and new orders, modifications of order price and volume, and cancellations are allowed up to the time of the afternoon close Itayose.</li> </ul>
Dissemination of Indicative Equilibrium Prices, etc.	<ul style="list-style-type: none"> <li>We will disseminate Indicative Equilibrium Prices (IEPs) and Indicative Equilibrium Volumes (IEVs) to improve transparency at pre-closing.<sup>1</sup></li> </ul>

<sup>1</sup> The same information is also scheduled to be disseminated during a designated period prior to the opening auctions of both the morning and afternoon sessions.



- Itayose carried out at random time each business day (same for all issues)
- New orders, modifications, and cancellations are allowed

# Post-revision Tick Size Tables

Stock Price (in JPY)	Tick Size Tables (in JPY)			
	Tick Size Table A ("Active": ultra-high liquidity)	Tick Size Table B ("Basic": high liquidity)	Tick Size Table C ("Calm": medium liquidity)	Tick Size Table O ("One Unit": trading unit is 1 share)
Over 1 and up to 100	0.1	0.1	0.1	1
Over 100 and up to 500	0.1	0.1	0.5	1
Over 500 and up to 1,000	0.1	0.1	1	1
Over 1,000 and up to 2,000	0.2	0.5	2	1
Over 2,000 and up to 5,000	0.5	1	5	1
Over 5,000 and up to 10,000	1	2	10	1
Over 10,000 and up to 20,000	2	5	20	2
Over 20,000 and up to 50,000	5	10	50	5
Over 50,000 and up to 100,000	10	20	100	10
Over 100,000 and up to 200,000	20	50	200	20
Over 200,000 and up to 500,000	50	100	500	50
Over 500,000 and up to 1,000,000	100	200	1,000	100
Over 1,000,000 and up to 2,000,000	200	500	2,000	200
Over 2,000,000 and up to 5,000,000	500	1,000	5,000	500
Over 5,000,000 and up to 10,000,000	1,000	2,000	10,000	1,000
Over 10,000,000 and up to 20,000,000	2,000	5,000	20,000	2,000
Over 20,000,000 and up to 50,000,000	5,000	10,000	50,000	5,000
Over 50,000,000	10,000	20,000	100,000	10,000

- **STR (S**pread to **T**ick **R**atio) is an indicator that shows how many ticks the nominal spread (the difference between the best ask price and the best bid price) represents, by dividing the nominal spread by the tick size. It is used to assess the appropriateness of the tick size in relation to the liquidity of a security.

**Example:**  
Tick size is set appropriately  
(e.g., STR = 3.0)

Sell	Stock Price	Buy
100	3,005	
100	3,004	
200	3,003	
400	3,002	
	3,001	
	3,000	
	2,999	400
	2,998	200
	2,997	100
	2,996	100
	2,995	100

**Example:**  
Tick size is too large  
(e.g., STR = 1.0)

Sell	Stock Price	Buy
400	3,005	
200	3,004	
800	3,003	
500	3,002	
1,000	3,001	
2,000	3,000	
	2,999	2,200
	2,998	1,500
	2,997	400
	2,996	800
	2,995	900

Price improvement (e.g., execution at JPY 2,999.5) can be expected by making the orderbook less crowded.

**Example:**  
Tick size is too small  
(e.g., STR = 6.0)

Sell	Stock Price	Buy
	3,005	
200	3,004	
	3,003	
100	3,002	
	3,001	
	3,000	
	2,999	
	2,998	
	2,997	
	2,996	200
	2,995	

Orders may become fragmented, meaning there is a risk that transactions are difficult to conduct smoothly and prices will become more volatile.

**How STR is calculated**  
The difference (JPY 3) between the best ask price (JPY 3,002) and the best bid price (JPY 2,999) is 3 ticks (JPY 1). Hence, STR is 3.0.

- TSE considers the appropriate range for STR to be between 1.5 and 5.0, and will carry out annual reviews of the tick size table applied to each issue based on this.

**Table: Assessment of STR Values During the Evaluation Period and Tick Size Tables Applied in Periodic Reviews**

STR	Below 1.5	1.5 to 5.0	Above 5.0
Assessment Criteria	The tick size is relatively large in relation to liquidity (thus, a smaller tick size would be more appropriate)	Appropriate STR range (meaning the current tick size is appropriate)	The tick size is relatively small in relation to liquidity (thus, a larger tick size would be more appropriate)
Tick Size Table A	Maintained (Tick Size Table A)	Maintained (Tick Size Table A)	<b><u>Tick Size Table B applied</u></b>
Tick Size Table B	<b><u>Tick Size Table A applied</u></b>	Maintained (Tick Size Table B)	<b><u>Tick Size Table C applied</u></b>
Tick Size Table C	<b><u>Tick Size Table B applied</u></b>	Maintained (Tick Size Table C)	Maintained (Tick Size Table C)
Tick Size Table O	Tick Size Table O is a dedicated table for issues whose trading unit is one share (one unit); therefore, no transitions between tick size tables are made based on STR.		