

Overview of Market Restructuring

Background

Currently, Tokyo Stock Exchange (TSE) had four market divisions: 1st Section, 2nd Section, Mothers, and JASDAQ (Standard and Growth).

The reason for this was that when TSE and Osaka Securities Exchange integrated their cash equity markets in 2013, TSE maintained the existing market divisions of each one in order to avoid impact on listed companies and investors.

However, there were two issues regarding these market divisions as indicated below.

1. The concept of each market division was ambiguous, which reduces convenience for many investors:

Specifically, as well as there being overlap between the intended uses of the 2nd Section, Mothers, and JASDAQ markets, the concept of the 1st Section was also unclear.

2. The market divisions were not providing sufficient incentives for listed companies to sustainably increase corporate value:

For example, since delisting criteria were significantly less strict than initial listing criteria, the delisting criteria do not incentivize listed companies to continue to satisfy after listing the level of quality required at the time of initial listing.

Furthermore, since the criteria for transfers to the 1st Section from other market divisions were lighter than the direct initial listing criteria for the 1st Section, the system was not working to encourage transferee companies to proactively increase corporate value after listing.

Based on these issues, TSE carried out research into a possible market restructuring, and started three market segments, the "Prime Market", "Standard Market", and "Growth Market", on April 4, 2022.



For details of the current market divisions, please see the following page.

➤ [Overview of IPO \(Market Structure\)](#)

For details of the review and research process regarding the market divisions up until now, please see the following page.

➤ [Review of TSE Cash Equity Market Structure](#)

We launched a special website to introduce the new market structure. Please see the below.

➡ Special Website on New Market Structure 📄

Concepts and listing criteria of the new market segments

Concepts

The concepts of the new market segments from April 4, 2022 onwards are as indicated below.

Prime Market	For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments for many institutional investors, keep a higher quality of corporate governance, and commit to sustainable growth and improvement of medium- to long-term corporate value, putting constructive dialogue with investors at the center.
Standard Market	For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments in the open market, keep the basic level of corporate governance expected of listed companies, and commit to sustainable growth and improvement of medium- to long-term corporate value.
Growth Market	For companies which have a certain level of market value by disclosing business plans for realizing high growth potential and their progress towards these appropriately and in a timely manner, but at the same time pose a relatively high investment risk from the perspective of business track record.

Listing criteria

In accordance with the concept of each market segment, quantitative and qualitative listing criteria are established for liquidity (*1), corporate governance (*2), and other elements.

In principle, the initial listing criteria and continued listing criteria for the current market segments are integrated, meaning that listed companies will be required to meet the initial listing criteria for each current market segment on an ongoing basis after listing.

Each market segment is independent. Thus, if a listed company intends to transfer to another market segment, said company will be subject to examination based on criteria equivalent to the initial listing criteria for that market segment and be required to meet said criteria.

*1 "Liquidity" is a scale that indicates the number and monetary value of shares traded on the market. It can be said that the higher the liquidity of a share is, the more smoothly investors can trade it.

*2 "Corporate governance" is the framework which enables companies to make decisions in a transparent, fair, timely, and decisive manner, taking into consideration the standpoints of shareholders and other varied stakeholders.

Listing Criteria for the Prime Market

Item	Purpose	Outline of Listing Requirements		
Liquidity	Basic criteria to ensure effective basis of ample liquidity for various types of institutional investors to find the stocks investable	Criteria	Initial Listing	Continued Listing
		No. of Shareholders	At least 800 shareholders	At least 800 shareholders
		No. of Tradable Shares	At least 20,000 units	At least 20,000 units
		Tradable Share Market Cap	At least JPY 10 bn.	At least JPY 10 bn.
Governance	Basic criteria to ensure effective foundation for constructive dialogue between listed companies and institutional investors ※ Revised CG Code fully applied *	Trading Value	At least JPY 25 bn. mkt. cap	At least daily JPY avg. 20 mn.
		To ensure constructive dialogue with institutional investors, must maintain "public market control" by keeping tradable share ratio, with so-called "stable shareholders" holding less than 2/3 of shares (threshold to pass a special resolution under the Companies Act)		
		Criteria	Initial Listing	Continued Listing
		Tradable Share Ratio	At least 35%	At least 35%
Business Performance Financial Status	Stable and Excellent Revenue / Financial Base	Criteria	Initial Listing	Continued Listing
		Business Performance	Total profit for recent 2 yrs., at least JPY 2.5 bn. Sales at least JPY 10 bn. & market cap at least JPY 100 bn.	-
		Financial Status (Shareholder Equity)	at least JPY 5 bn.	positive

* including principles requiring a higher level of governance applied to Prime-listed companies

Listing Criteria for the Standard Market

Item	Purpose	Outline of Listing Requirements		
Liquidity	Basic criteria to ensure appropriate liquidity for smooth trading by public investors	Criteria	Initial Listing	Continued Listing
		No. of Shareholders	At least 400 shareholders	At least 400 shareholders
		No. of Tradable Shares	At least 2,000 units	At least 2,000 units
		Tradable Share Market Cap	At least JPY 1 bn.	At least JPY 1 bn.
Governance	Basic level of governance structure to achieve sustainable growth ※ Revised CG Code fully applied	Basic level of tradable share ratios required as public company (same level as global stock exchanges)		
		Criteria	Initial Listing	Continued Listing
		Tradable Share Ratio	At least 25%	At least 25%
Business Performance Financial Status	Stable revenue foundation and financial status	Criteria	Initial Listing	Continued Listing
		Business Performance	Profit at least JPY 0.1 bn. in the most recent yr.	-
		Financial Status (Shareholder Equity)	positive	positive

Listing Criteria for the Growth Market

Item	Purpose	Outline of Listing Requirements		
Business Plans	A business plan to realize high growth potential and that enables investors to make reasonable investment decisions based on information disclosed	All requirements below must be met • Reasonable business plans in place • Principle underwriter submits basis for its opinion on company's high growth potential • Appropriate disclosure (after listing as well) on business plans and matters related to high growth potential (business model, market size, source of its competitive advantages, business risk) Below required to ensure high growth potential is achieved / realized appropriately		
		Criteria	Initial Listing	Continued Listing
		Market Capital	-	from 10th yr. of IPO JPY 4bn.
Liquidity	Minimum criteria to ensure appropriate liquidity for smooth trade by public investors	Criteria	Initial Listing	Continued Listing
		No. of Shareholders	At least 150 shareholders	At least 150 shareholders
		No. of Tradable Shares	At least 1,000 units	At least 1,000 units
		Tradable Share Market Cap	At least JPY 0.5 bn.	At least JPY 0.5 bn.
Governance	Governance standard appropriate to the level of size of business and growth stage ※ Only Basic Principles of CG Code applied	Basic level of tradable share ratios required as public company (same level as global stock exchanges) *		
		Criteria	Initial Listing	Continued Listing
		Tradable Share Ratio	At least 25%	At least 25%

* Startups using voting right class shares in IPOs will be subject to the same rules as applied now.

Listing criteria for the new market segments



Revision to Japan's Corporate Governance Code

TSE implements Japan's Corporate Governance Code, which compiles the fundamental principles that contribute to effective corporate governance. TSE has revised the Code to encourage listed companies to enhance governance for their sustainable growth and medium- to long-term corporate value improvement in accordance with the features of each new market segment.

In particular, as the Prime Market is a venue for companies focusing on constructive dialogue with global investors, principles requiring a higher level of

governance are applied to Prime-listed companies.

For details of Japan's Corporate Governance Code, please see the following page.

➡ Enhancing Corporate Governance

Process of transition to the new market segments



Market segment selection by listed companies

Before the transition to the new market segments in April 2022, each listed company selected the market segment to which it intends to transition, taking into account the concept and listing criteria of each market segment.

The market selection period and the subsequent schedule were as indicated below.

Dates	Action
From Sep. 1 to Dec. 30, 2021	Listed companies to select a new market segment
Jan. 11, 2022	Results of new market segment selections by listed companies to be published
Apr. 4, 2022	Transition to the new market segments

As of April 3, the list of Market Segment Selection Results is as below.

List of Market Segment Selection Results (As of April 3, 2022)	
Number of Listed Companies as of April 4, 2022	

Application of transitional measure (relaxed continued listing criteria)

If a listed company does not meet the continued listing criteria for its selected market segment, relaxed continued listing criteria will be applied as a transitional measure for the time being, as long as the company makes efforts to improve with the submission of a plan to meet the continued listing criteria and reports on its progress towards said plan.