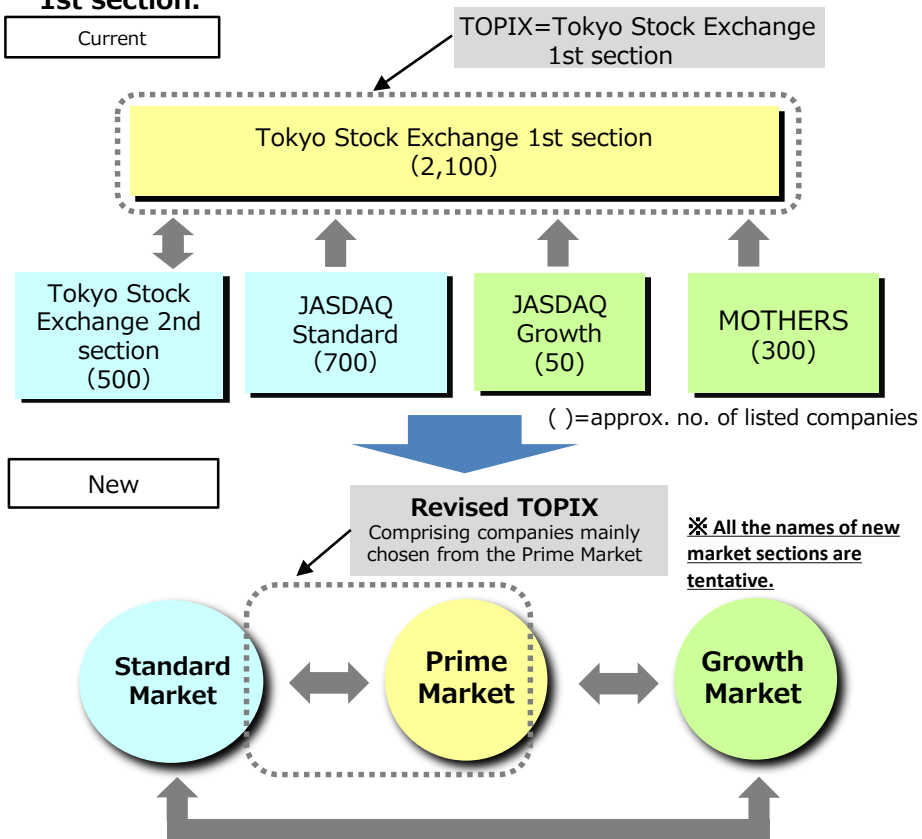


The objective of reforming the Tokyo Stock Exchange (TSE)'s equity market structure is to:

- ① **promote sustained growth and corporate value creation by publicly traded companies and start-ups, and;**
- ② **increase attractiveness of the capital markets in Japan for both domestic and foreign investors.**

Identified Issues

- The concept of each of the five current market sections is duplicative and ambiguous.
- Listed companies are not incentivized enough to strive for its sustained growth and corporate value creation.
- TOPIX is not functioning well as a passive investment index as is automatically comprised of all companies listed on the 1st section.



Reform 1: Reorganization into Three Market Sections (Each company can choose the most suited market section for its listing)

- Clarifying the concept of each market section
- Strengthening a mechanism to induce sustained growth and corporate value creation by listed companies and start-ups

Prime Market

- Companies with a high level of market capitalization, a high level of free float, and a high quality of corporate governance, committing to improving corporate value through constructive dialogue with investors.
- Listing/delisting criteria on market capitalization will be revised stricter.
- Higher standards of the Corporate Governance Code will be applied.
- Companies with certain types of business model (e.g., e-commerce companies) can get listed in the Prime Market under additional conditions even where they run deficit.
- ※ Companies currently listed in the 1st section can choose listing in the Prime Market under certain conditions.

Standard Market

- Companies with a standard level of market capitalization, free float, and corporate governance.
- All the General Principles, Principles and Supplementary Principles of the Corporate Governance Code will be applied.

Growth Market

- Companies with higher growth potential but higher risks.
- Current listing criteria on market capitalization will be maintained in order to facilitate access to risk capital.

Reform 2: TOPIX Overhaul

- Delinking the composition of TOPIX from the TSE market structure (i.e., any of the market sections)
- Selecting comprising companies with more emphasis on market liquidity while ensuring continuity from the current version of TOPIX