



TSE Reference Material
*The Sixth Council of Experts Concerning
the Follow-up of Market Restructuring*

Exchange & beyond
Tokyo Stock Exchange, Inc.

January 10, 2023

1. Termination Date of Transitional Measures

- **March 2025 (three years after the transition)** is appropriate.

Note: There are two opinions: one is that the transitional measures should last for three years followed by an additional one-year improvement period, and the other is that the improvement period should be included in three-year period.

- Leaving the transitional measures in place indefinitely will hinder the promotion of industrial metabolism, while a certain amount of time is needed for companies' efforts to produce results.
- Three years is appropriate in light of the general lead time required to achieve the management plan, gather investor opinions in the call for comments, and market valuation.

2. Handling of Companies Disclosing Plans that Extend Past the Termination Date

- **This should be uniformly terminated with no exceptions.**

- The design and operation should be as simple and as clear as possible, considering ease of understandability for investors.
- There is no need to be bound by the past, as there are usually rule changes that originate from TSE.

- **Exceptions should be made.**

- The new rules cannot be retroactively applied to a plan that has already been disclosed to be inadmissible.
- The new rules cannot be applied retroactively to disallow plans that have already been disclosed.
- It should be considered that some companies are making steady progress in their efforts.

(Specific comments on handling)

- Even if exceptions are made, the rules should be simple and easy for investors to understand.
- Criteria should be raised gradually to assess progress toward conformance.
- While deferring until March 2027--five years after the transition--at the most, which would cover most companies, the names of companies, details of the non-compliant criteria, and the deadline for plans should be made public to encourage early achievement in a way that 'names and-shames,' so to speak.

3. Disclosure of Plans Beyond the Termination Date

- **Disclosure of plans should not be permitted after the announcement of the termination date.**

Note: Some commented that this should not be allowed from the time the specific proposal for handling was published, and others commented that this should not be allowed after the effective date of the revised rules.

4. Extension of the Planning Period to a Date prior to the Termination Date of the Transitional Measures

- There is **no need to set limits.**

➤ Inappropriate extension of the planning period could negatively affect the stock price and should be left to the market's assessment.

5. Necessity to Treat Each Market Segment Differently

- In principle, there is **no need** to treat them differently.

➤ If criteria are raised in stages as in 2. above, one idea is to differentiate the rate at which criteria is raised.

Note: Some commented that different treatment could be considered depending on the number of non-compliant criteria and the type of non-compliant criteria.

6. Institutional Support Regarding Segment Transfers

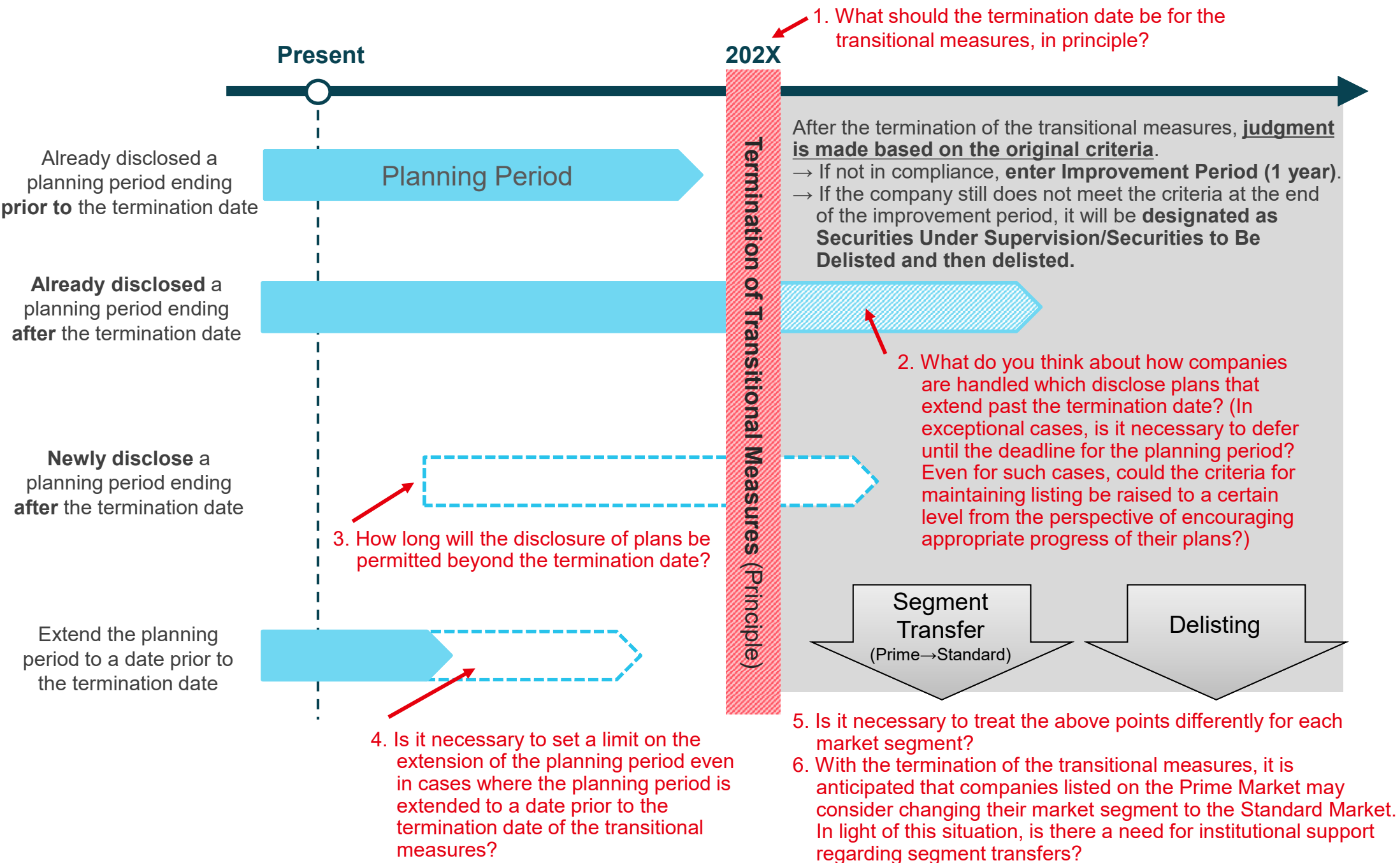
- **Given that the concept of these market segments is that each market segment is independent, it would be inappropriate to eliminate the review process for market segment transfers.**
- **On the other hand, taking into consideration the practical burden on TSE and securities companies, it is conceivable to encourage early action and, if necessary, to introduce institutional support.**

Note: In the call for comments, there was an opinion that if the deadline of the transitional measures were set to be shorter than the period in the disclosed plans to meet the criteria, the premise of market selection would change. In that case, a market selection/transition period needs to be set again.

Other

- In order to secure opportunities for investors to sell their shares in companies to be delisted, it would be practical to utilize the framework of the Securities Under Supervision and Securities to Be Delisted, and extending the designation period to six months would be appropriate.

Mapping of Items for Discussion (Reprint)



Companies that do not Meet the Continued Listing Criteria (Updated)

- **510 companies** do not meet the continued listing criteria but have disclosed their plans to do so (as of Dec. 31, 2022).
 - Of the 598 companies that have disclosed plans, 76 companies have met the criteria (22 companies were officially confirmed to be in compliance after the transition, and 54 companies announced that they have exceeded the criteria, based on their own calculation), and 12 companies withdrew their plans as they went private. On the other hand, 41 companies newly disclosed their plans as they could not meet the criteria after the transition.
- The end dates for the planning periods are concentrated in the two to four years following the transition to the new market segments, and 94% of companies plan to meet the criteria within five years.

Number of Companies that do not Meet the Criteria

Prime

Note: As of Dec. 31, 2022

Tradable Share Market Cap (JPY 10 bil.) :	227
Tradable Share Ratio (35%) :	38
Trading Value (daily avg. JPY 20 mil.) :	77
Total (excluding duplications) :	269

Note: In addition, 8 companies were officially confirmed to be in compliance after the transition, and 33 companies announced that they have exceeded the criteria, based on their own calculation.

Standard

Tradable Share Market Cap (JPY 1 bil.) :	136
Tradable Share Ratio (25%) :	73
# of Shareholders (400 shareholders) :	11
Total (excluding duplications) :	200

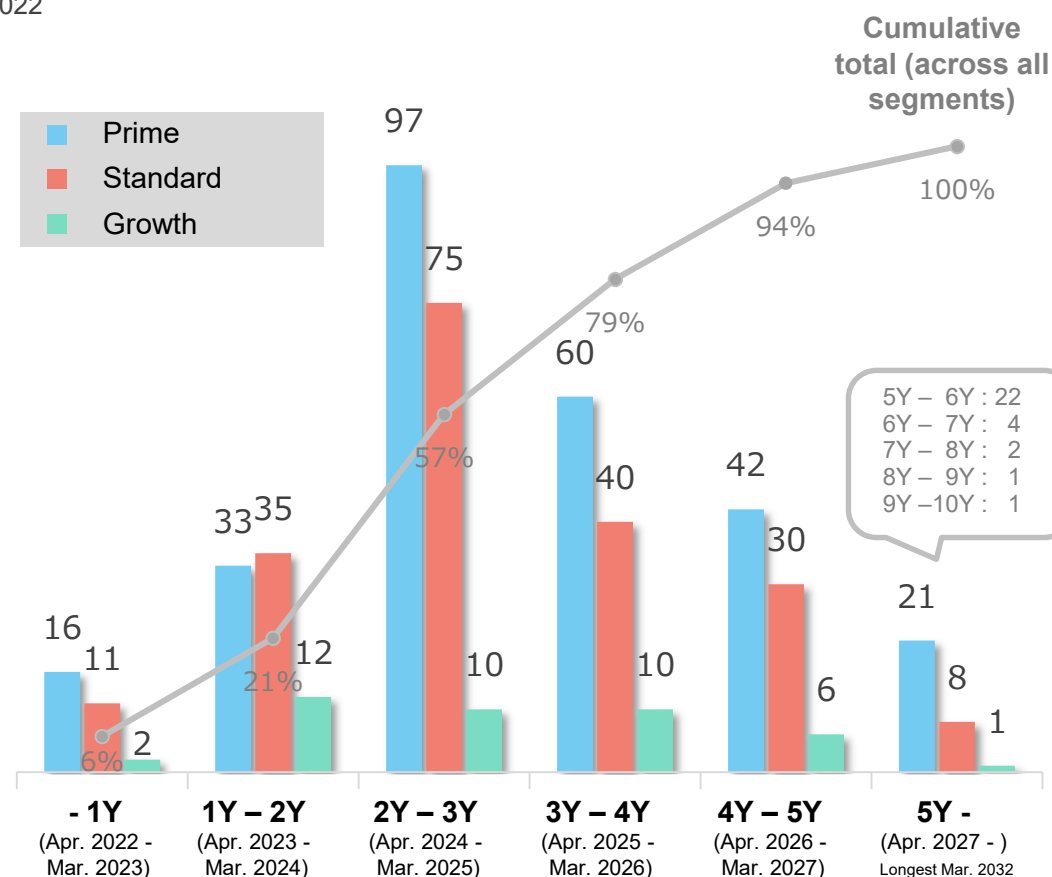
Note: In addition, 8 companies were officially confirmed to be in compliance after the transition, and 16 companies announced that they have exceeded the criteria, based on their own calculation.

Growth

Tradable Share Market Cap (JPY 0.5 bil.) :	5
Tradable Share Ratio (25%) :	21
Market Cap. (JPY 4 bil. from 10 th yr. of IPO) :	17
Total (excluding duplications) :	41

Note: In addition, 6 companies were officially confirmed to be in compliance after the transition, and 5 companies announced that they have exceeded the criteria, based on their own calculation.

Distribution of Plan Lengths



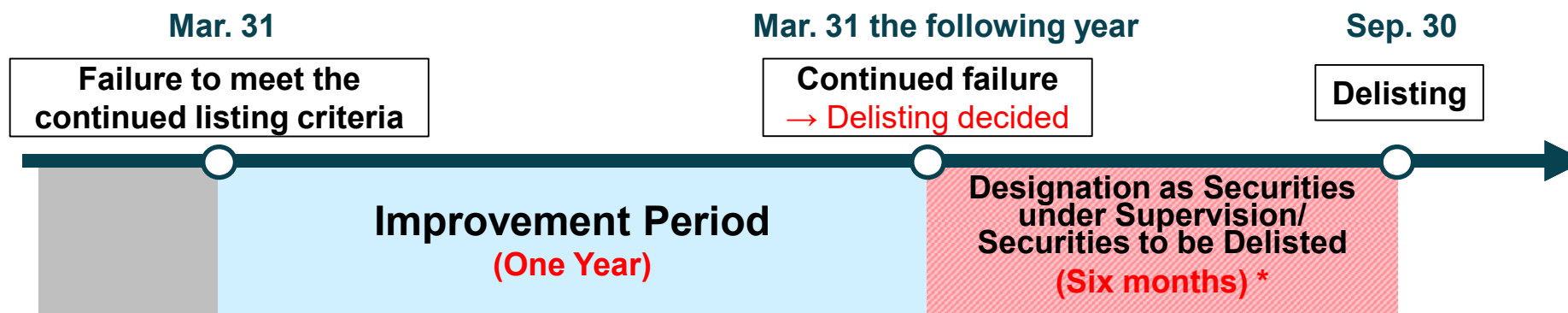
Note: Plan length is counted from the date of transition to the new market segment. If multiple criteria are not met and different length plans are set for each, the longest length plan is used.

- If a company does not meet the continued listing criteria by the reference date, it will enter an **Improvement Period of one year in principle.**
- Failure to meet the criteria during the Improvement Period by the next reference date will result in delisting.
 - **It is expected that the company will be designated as Securities Under Supervision/Securities to Be Delisted for six months and then delisted.**

Note: The period of designation as Securities to Be Delisted* after the decision is made to delist will be extended in order to secure opportunities for investors to sell their shares.

* Under the current rule, the period is one month.

Example of Delisting Schedules (for a company with a fiscal year ending in March)



* TSE designates the company as Securities under Supervision after the end of the Improvement Period.

* TSE decides to delist and designates the company as Securities to be Delisted as soon as it confirms that the company does not meet the criteria, based on the "Table of Distribution of Stocks, etc." submitted by the company within two months of the end of its fiscal year.