CHAPTER X

Financial Instruments Exchanges, etc.

1. The Function of the Financial Instruments Exchanges

The basic function of a financial instruments exchange is to establish a market and concentrate supply and demand of marketable securities in a single market to enhance the liquidity of securities, to help form fair prices that reflect supply and demand, and to promptly publish the prices thus formed. The purpose of a financial instruments exchange is to establish a market for trading securities and executing exchange derivatives trading and to run the market in such a way as to facilitate fair and efficient trading in the public interest and for the protection of investors. The basic mission of the financial instruments exchange is to provide a fair and transparent market. The market established by a financial instruments exchange has the function of providing a marketplace that enhances the liquidity of financial instruments and helps form fair prices so as to provide investors with an environment in which investors can conduct investment activities free from anxiety, raise funds smoothly by issuing securities, and hedge risks by executing exchange derivatives trading among other activities. Furthermore, prices formed on an exchange can serve as a base for assessing the asset value of securities and price indexes serve as an important indicator of economic and business trends. Because financial instruments markets operated by exchanges perform an important role in supporting the economy of the nation, a license must be obtained from the Prime Minister to open an exchange, and the operation of that exchange is placed under supervision according to the Financial Instruments and Exchange Act.

Stock exchanges were conventionally required to be membership organizations under the Securities and Exchange Act. An amendment of this law that came into effect in 2000, however, allowed stock exchanges to change their legal status to that of a corporation. Starting with Osaka in 2001, the Tokyo, Nagoya, and JASDAQ exchanges became corporations. The enforcement of the Financial Instruments and Exchange Act in 2007 provided for the establishment of an exchange holding company, self-regulatory organization, etc. Given this law, in the same year, the Tokyo Stock Exchange Group, Inc.

Chart X-1. The Function of the JPX-operated Financial Instruments Exchanges

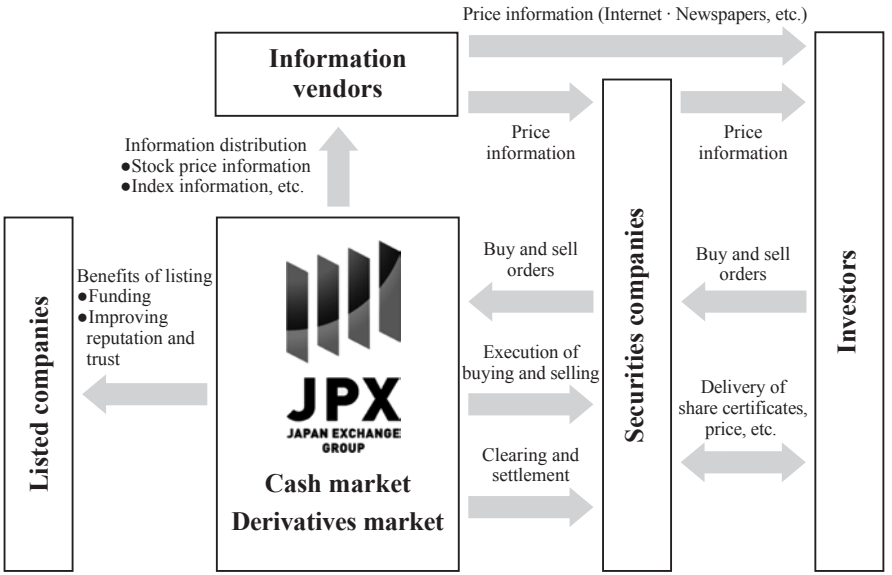
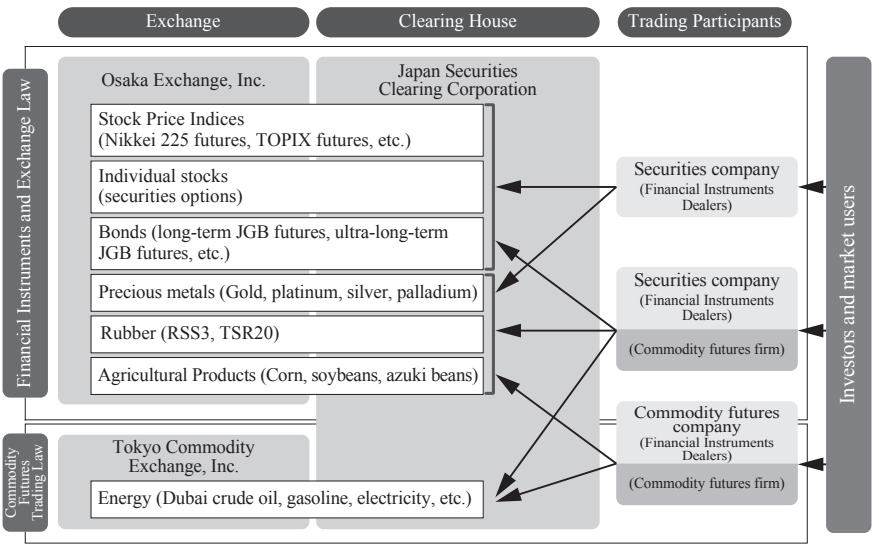


Chart X-2. Overview of Comprehensive Exchange



As of August 31, 2021

was established as a holding company of the Tokyo Stock Exchange and a self-regulatory organization. The establishment of a holding company was prompted by potential conflicts of interest between the public role of an exchange as an operator of self-regulating operations and the for-profit orientation of an exchange as a corporation, where exchanges sought to reinforce the independence of their highly public function to ensure self-regulation of the market. Furthermore, against the backdrop of intensifying competition among markets across borders resulting from the advancement of financial transaction systems, in 2013, the Tokyo Stock Exchange Group and the Osaka Securities Exchange combined their operations to increase the appeal and convenience of their markets and to enhance their global competitiveness, forming the Japan Exchange Group (JPX). In 2019, JPX acquired Tokyo Commodity Exchange (TOCOM), and in 2020 it transferred trading in precious metal futures and other commodities from TOCOM to Osaka Exchange (OSE), which specializes in derivatives, and integrated clearing organizations under its umbrella to create a comprehensive exchange for trading a wide range of products from financial instruments to commodities.

2. Footsteps of Markets

When the stock exchange resumed trading after WW2, the exchange market was a single market. With the Japanese economy entering a period of high growth and the demand for capital from small and medium-sized enterprises increasing, the OTC transactions executed outside the stock exchange rapidly evolved into a marketplace for so-called "collective transactions". It became necessary to institutionalize the marketplace to encourage the development of SMEs and to protect investors. In 1961, the Tokyo, Osaka and Nagoya Stock Exchanges set up Second Sections that have more relaxed listing standards than the conventional market, thereby absorbing many of the shares which had previously been traded OTC. This marked the establishment of the First Section and Second Section of the Tokyo Stock Exchange's Main Market.

Against the backdrop of Japan's high economic growth, the Japan Securities Dealers Association (JSDA) introduced the OTC Registration System in 1963 to provide a marketplace to secure funding for those companies that lack listing opportunities on the exchange markets. The OTC Registration System was reorganized into the new OTC Stock Market in 1983 and served to complement the conventional stock exchanges as a capital market for growth and start-up companies. After the revision of the Securities and Exchange Act in 1998, the OTC Stock Market was redefined so that it exists in parallel with other exchange markets in its own right. In 2004, it became the

Table X-1. History of the TSE's First and Second Sections

Apr. 1949	Stock Exchange reopened
Oct. 1961	The Second Section of the market opened in Tokyo, Osaka and Nagoya Establishment of listing criteria for shares designated to be listed on the First Section and those re-designated to be listed on the Second Section
Nov. 1986	Revision of regulations concerning the listing of NTT shares • Certain companies with a large number of listing shares and the likelihood for exceptionally favorable shareholder base could be directly designated as First Section stocks.
Nov. 1996	Standards for listing directly on the First Section formalized for clarification purposes • Number of listing shares, shareholder base (conformable to the First Section designation standards), etc.

Table X-2. History of the JASDAQ

Nov. 1983	New over-the-counter (OTC) market launched.
Dec. 1998	The JASDAQ market defined as an OTC securities market (in parallel with other exchange markets).
Dec. 2004	Stock exchange license acquired by JASDAQ and by the Securities and Exchange Act its name changed to the JASDAQ Securities Exchange.
Aug. 2007	The NEO market established.
Oct. 2007	JASDAQ, NEO, and Hercules markets merged, forming the new JASDAQ market.
July 2013	The businesses of TSE and OSE combined, with the TSE continuing to operate JASDAQ.

Table X-3. History of the Mothers

Nov. 1999	Mothers launched.
May 2002	Listing criteria reviewed: • Newly establish delisting criteria regarding sales. • Newly establish listing screening standards and delisting criteria regarding market capitalization, etc.
Dec. 2006	The first phase of a comprehensive listing system improvement program undertaken. • Require new applicants to obtain a letter of recommendation from the managing underwriter.
Nov. 2007	The second phase of a comprehensive listing system improvement program undertaken. • Abolish provisions for moving from main exchange to Mothers market (clarify Mothers' position as a start-up market), etc.
Nov. 2009	Steps taken to improve confidence in market taken. • Newly establish "appropriateness of business plan" as a listing criteria. • Newly establish stock price related delisting criteria, etc.
Mar. 2011	Further steps to improve confidence in and stimulate market taken. • Require listed companies to be audited by an audit firm registered with exchange. • Newly establish requirement to choose whether to stay on Mothers after 10 years. • Introduce listing screening policy in line with market concept (confirm appropriateness of business plan). *History prior to the restructuring of TSE market segments (April 2022)

JASDAQ Securities Exchange, which was subsequently merged with the OSE-operated Hercules in 2010, and began operating as the new JASDAQ Market.

In 1999, TSE established the Mothers market to provide listing opportunities for emerging companies in their start-up growth phase. This new market offered improved protection for investors through enhanced disclosure requirements, while allowing companies with high growth prospects to gain a listing even if they had negative net worth or suffered pretax losses. Subsequently, after a set of scandals among some of the listed companies, the screening criteria for listing were tightened to improve investor protection.

Subsequently, in 2013, following the merger of business operations of the Tokyo Stock Exchange and the Osaka Securities Exchange, the stock markets of the two exchanges were also consolidated. To avoid imposing burdens on listed companies and causing confusion among investors during the integration, the existing market structure was largely maintained. As a result, four markets for general investors continued to coexist: the First Section, the Second Section, MOTHERS, and JASDAQ (Standard and Growth).

Furthermore, in April 2022, the Tokyo Stock Exchange reviewed its market segmentation, taking into account the issues that had emerged following the integration. These included (1) the unclear concepts of the respective market segments, which reduced their usefulness for many investors; (2) the failure of the market segments to fully perform their expected role in encouraging listed companies to enhance their corporate value on a sustainable basis; and (3) the absence of an index that combined investability with broad market representativeness. This represented the first major reform in approximately 60 years since the establishment of the Second Section (see the next section for details).

3. Review of the Tokyo Stock Exchange's Market Segments and Subsequent Initiatives

On April 4, 2022, the Tokyo Stock Exchange reorganized its stock market into three new market segments—Prime, Standard, and Growth—to support the sustainable growth of listed companies and enhance their medium- to long-term corporate value, while providing an attractive market that is supported by a wide range of domestic and international investors. Listing requirements for each new market segment set quantitative and qualitative criteria for liquidity, corporate governance and others in accordance with each market concept.

Furthermore, to enhance the effectiveness of the market segment review, the Council of Experts Concerning the Follow-up of Market Restructuring

Chart X-3. Restructuring the Market Segments and New Market Concepts

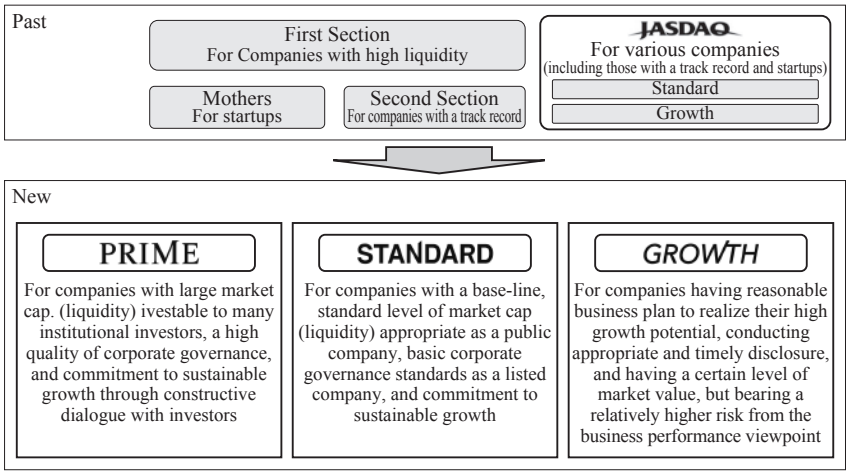
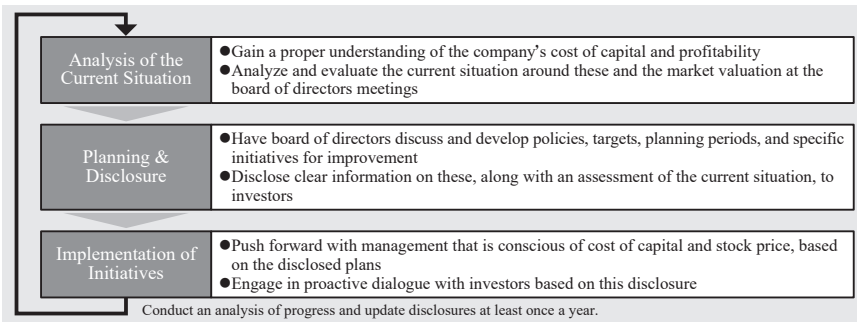


Chart X-4. Details of the Request for Action to Implement Management that is Conscious of Cost of Capital and Stock Price



was established in July 2022. This council has held continual discussions on additional measures to enhance the corporate value of listed companies.

In March 2023, given that approximately half of the listed companies on the Prime Market and about 60% on the Standard Market had an ROE of less than 8% and a PBR of less than 1, which indicated lower capital profitability and growth potential compared to Europe and the United States, TSE requested all listed companies in the Prime and Standard markets to take "Action to Implement Management That Is Conscious of Cost of Capital and Stock Price." As of December 2025, 90% of listed companies on the Prime

Chart X-5. Next-Generation TOPIX Rules

<table>
<tr><th></th><th>Current TOPIX</th><th>Next-Generation TOPIX</th></tr>
<tr><td>Target Market</td><td>Prime Market
*(Companies that were constituents at the time of the market restructuring and chose the Standard Market or Growth Market are included.)</td><td>Prime Market, Standard Market, Growth Market</td></tr>
<tr><td>Periodic review</td><td>None</td><td>Annually, on the last business day of October (base date: last business day of August)</td></tr>
<tr><td>Selection Criteria</td><td>None
*(Phased weighting reductions of constituents which had a tradable share market capitalization of under ¥10 billion at the time of the market restructuring or similar events are in progress.)</td><td>• Periodic review of constituents based on the following liquidity criteria
<table>
<tr><th>Indicator</th><th>Inclusion Criteria</th><th>Continuation Criteria*</th></tr>
<tr><td>Annual traded value ratio</td><td>0.2 or more</td><td>0.14 or more</td></tr>
<tr><td>Percentage of Cumulative Free-Float Adjusted Market Capitalization</td><td>In the top 96%</td><td>In the top 97%</td></tr>
</table>
• The inclusion criteria will be applied to issues that are not TOPIX constituents. The continuation criteria will be applied to issues that are TOPIX constituents.
*Continuation criteria (buffer rules) will be adopted in order to ensure index stability and investment efficiency</td></tr>
<tr><td>Non-periodic inclusion</td><td>New listings on or segment transfers to the Prime Market</td><td>New listings on the Prime, Standard, and Growth Markets whose free-float adjusted market capitalization exceeds the minimum free-float adjusted market capitalization of issues in the top 95% by cumulative free-float adjusted market capitalization</td></tr>
</table>

Market and 50% of those on the Standard Market disclosed measures taken in response to the request. The focus is now shifting to the implementation of those measures and to achieving actual improvements in capital profitability and other performance indicators.

With regard to the Growth Market, in light of the sluggish performance of the TSE Growth Market Index and the fact that only a limited number of companies achieve high growth after listing, the Tokyo Stock Exchange is promoting initiatives to further strengthen the Growth Market's concept as a market for companies with high growth potential. These initiatives include revising the continuous listing criteria for market capitalization (from at least ¥4 billion after 10 years of listing to at least ¥10 billion after five years of listing), encouraging management focused on achieving high growth, and providing support to listed companies.

In addition to the initiatives described above, the Tokyo Stock Exchange is also reviewing TOPIX with the aim of further enhancing its market representativeness and investability. Previously, TOPIX covered only the Prime Market. However, from October 2026, its coverage will be expanded to all market segments to include Standard and Growth Markets stocks that satisfy certain selection criteria.

4. Initial Listing System

The TSE imposes initial listing requirements on each market segment from the viewpoint of investor protection and examines listing applications to see whether they satisfy the listing requirements. TSE's initial listing criteria for each market segment comprise quantitative (formal) and qualitative (eligibility) requirements and the TSE examines applications from companies wishing to be listed based on consultation and their submitted documents.

Prime Market: In terms of the formal requirements, tradable share market capitalization of at least ¥10 billion which ensures the basis for ample liquidity so that a variety of institutional investors can invest in a company with confidence; tradable share ratio of at least 35% which is the basis for ensuring an effective foundation for constructive dialogue with institutional investors; either ¥2.5 billion profit (total of previous two years) or sales of at least ¥10 billion and notional market capitalization of at least ¥100 billion which are the basis for a stable and excellent revenue/financial base. In terms of the qualitative requirements, criteria are set from the viewpoint of corporate continuity, profitability, corporate governance, and effectiveness of internal control systems.

Standard Market: The formal requirements include a tradable share market capitalization of at least ¥1 billion as the basis for appropriate liquidity for smooth trading by general investors; a tradable share ratio of at least 25% to ensure a minimum level of transparency as a listed company; and profit of at least ¥100 million in the most recent year as the criterion for a stable revenue base. In terms of the qualitative requirements, similar to the Prime Market, there is the perspective of corporate continuity and profitability. However, while the Prime Market requires a strong and stable revenue base, the Standard Market only requires a stable revenue base.

Growth Market: In terms of formal requirements, the minimum liquidity requirement for a company to be investable for general investors is a tradable shares market capitalization of at least ¥500 million; a tradable share ratio of 25% or more for ensuring a minimum publicness as a listed company; and public offering of at least 500 units at initial listing as a necessary fundraising to achieve growth. To make it easier for start-up companies to access the capital markets, there are no criteria related to past business performance or financial position (profit and net assets). In terms of qualitative requirements, companies are required to demonstrate a reasonable business plan to realize high growth and to have ability to conduct appropriate disclosure.

Table X-4. Initial Listing Criteria (Quantitative Requirements)

Items		Prime Market	Standard Market	Growth Market
Liquidity	Number of Shareholders	800 or more	400 or more	150 or more
	Tradable Shares	20,000 units or more	2,000 units or more	1,000 units or more
	Market capitalization of the tradable share	JPY 10 billion or more	JPY 1 billion or more	JPY 0.5 billion or mor
	Market Capitalization	JPY 25 billion or more	—	—
Governance	The number of tradable shares	35% or higher of the listed stocks	25% or higher of the listed stocks	25% or higher of the listed stocks
Operating results	Revenue base	The applicant company satisfies either of the following a. or b.:Aggregated profits over the last two years are JPY 2.5 billion or more Net sales over the last year are JPY 10 billion or more and market capitalization is estimated to be JPY 100 billion or more at time of listing	Total profits over the last year are JPY 0.1 billion or more	—
Financial conditions		The amount of consolidated net assets is JPY 5 billion or more and amount of unconsolidated net assets is a positive figure	The amount of consolidated net assets is a positive figure	—
Public Offering		—	—	500 trading units or more
Others		Years of Business Operation, False Statements or Adverse Opinions, etc., Audit by a Listed Company Audit Firm, Establishment of a Shareholder Services Agent, Share Unit, Classes of Stock, Restriction on Transfer of Shares, Handling by the Designated Book-Entry Transfer Institution, etc.		

Notes: 1. No. of shareholders means the number of shareholders who own one or more units of shares.
2. The number of "tradable shares" is the number of shares after deducting from the number of listed shares the shares owned by shareholders, directors, etc., who own 10% or more of the listed shares, treasury (if they own their own shares), domestic common banks, insurance companies, and business corporations, and other shares deemed fixed by the Exchange.
3. The amount of profits is the amount derived by adding or subtracting net income attributable to minority interests in subsidiaries to/from the amount of current profit (loss).
4. Not required where the market capitalization on the listing date is expected to be JPY 25 billion or more.
5. Refers to registered auditors of listed companies, etc. as defined in Article 34-34-8, paragraph 1 of the Certified Public Accountants Act (limited to those who have undergone quality control reviews by the Japanese Institute of Certified Public Accountants).

Table X-5. Initial Listing Criteria (Qualitative Requirements)

Prime Market	Standard Market	Growth Market
【Corporate Continuity and Profitability】 The applicant company is operated continuously and has a stable and excellent revenue base.	【Corporate Continuity and Profitability】 The applicant company is operated continuously and has a stable revenue base.	【Appropriateness of Disclosure of Corporate Information, Risk Information, etc.】 The applicant company is in a position to appropriately disclose its business details and risk information, etc.
【Soundness of Corporate Management】 The applicant company carries out its business fairly and faithfully.	【Soundness of Corporate Management】 The applicant company carries out its business fairly and faithfully.	【Soundness of Corporate Management】 The applicant company carries out its business fairly and faithfully.
【Effectiveness of Corporate Governance and Internal Management System】 Corporate governance and internal management systems are appropriately established and functioning.	【Effectiveness of Corporate Governance and Internal Management System】 Corporate governance and internal management systems are appropriately established and functioning.	【Effectiveness of Corporate Governance and Internal Management System】 Corporate governance and internal management systems that are commensurate with the size and maturity of the company are appropriately established and functioning.
【Appropriateness of Disclosure of Corporate Information, etc.】 The applicant company is in a position where it is able to disclose its corporate information appropriately.	【Appropriateness of Disclosure of Corporate Information, etc.】 The applicant company is in a position where it is able to disclose its corporate information appropriately.	【Reasonableness of the business plan】 The applicant company has established a rational business plan and built a business foundation necessary to execute the business plan or has a rational plan to do so.
Other matters deemed necessary by the Exchange from the viewpoint of public interest or investor protection		

5. Listing Administration Systems

With a view to carrying out the proper administration of listed securities and to protecting investors, stock exchanges have instituted various rules relating to the administration of listings and have sought to ensure the effectiveness of these rules by requiring issuers to commit to observe these in the listing agreement they sign at the time of listing. TSE's listing requirements include rules for timely disclosure of important corporate information, a code of corporate conduct requiring companies to adhere to appropriate behavior, and the delisting of securities.

Rules Requiring Timely Disclosure of Corporate Information: To ensure the formation of fair market prices and to foster the sound development

Table X-6. Outline of Code of Corporate Conduct of the Tokyo Stock Exchange

Matters to be observed (if a listed company violates a provision regarding these matters, it may be subject to measures enforced by the TSE)	Matters desired to be observed (listed companies are expected to make efforts to observe them)
• Matters to be observed regarding third-party allotment • Prohibition of stock split, etc., that could cause turmoil in the secondary market • Matters to be observed pertaining to issuance of MSCB, etc. • Duty to exercise of voting rights in writing, etc. • Duty to carry out framework improvement to facilitate exercise of voting rights for listed foreign companies • Duty to secure an independent director/auditor • Duty to explain the reasons for implementing or not implementing the Corporate Governance Code • Duty to appoint a board of directors, an audit board or committee, and an accounting auditor • Duty to select a certified public accountant or public audit firm to provide the audit certificate of the accounting auditor • Duty to carry out necessary structural development of a system for ensuring the appropriateness of business • Matters to be observed pertaining to introduction of takeover defense measures • Matters to be observed pertaining to disclosure of MBOs, etc. • Matters to be observed pertaining to significant transactions, etc., with controlling shareholders • Prohibition of insider trading • Exclusion of anti-social forces • Prohibition of behavior destructive to the functioning of the secondary market or the rights of shareholders	• Efforts toward the shift to and maintenance of the desired investment unit level • Respect for the principles of the Corporate Governance Code • Securing management structure that includes independent directors • Framework improvement to enable proper functioning of independent directors/auditors • Provide information on independent directors/auditors, etc. • Framework improvement to facilitate exercise of voting rights • Delivery of documents to shareholders owning stock without voting rights • System improvement for prevention of occurrence of insider trading • Development of system, etc. for excluding anti-social forces • Development of systems and structures to properly respond to changes in accounting standards, etc. • Fair provision of supplementary explanatory materials on details of account settlement

of a financial instruments market, it is extremely important for listed companies to make proper disclosure in a timely manner of information concerning important corporate matters that may influence the investment decision-making of investors, the very basis on which stock prices are formed. TSE requires listed companies to disclose important corporate information, such as corporate decisions, events, and financial results, in a timely manner. The timely disclosure requirements are fundamentally the same across all the market segments, but only the Growth Market requires companies to disclose business plans and matters relating to growth potential on a continuous basis. In addition, listed companies on the Prime Market have been required to provide simultaneous disclosure in English since April 2025.

Code of Corporate Conduct: The purpose of requiring proper conduct by listed companies is to raise their awareness of their role as members of the financial instruments market, to ensure greater transparency by enhancing the

Table X-7. Continued Listing Criteria

Item		Prime Market	Standard Market	Growth Market
Liquidity	Number of Shareholders	800 or more	400 or more	150 or more
	Number of tradable shares	20,000 units or more	2,000 units or more	1,000 units or more
	Market capitalization of the tradable share	JPY 10 billion or more	JPY 1 billion or more	JPY 0.5 billion or more
	Trading Value	Daily average trading value: JPY 20 million or more	Monthly average trading volume: 10 units or more	Monthly average trading volume: 10 units or more
Governance	Tradable share ratio	35% or higher	25% or higher	25% or higher
Financial conditions	Amount of Net Assets	The amount of net assets is a positive figure.	The amount of net assets is a positive figure.	The amount of net assets is a positive figure.
Market Capitalization		—	—	JPY 4 billion or more (applicable after 10 years from initial listing)

※Improvement period is generally one year. (Standard Market and Growth Market trading criteria is 6 months.)

※With the aim of encouraging companies listed on the Growth Market to quickly grow large enough to become targets for investment from institutional investors and also to facilitate M&A among companies and the creation of subsequent businesses by entrepreneurs, starting in 2030 the Growth Market's continued listing criteria will be revised so that a company's market capitalization must be ¥10 billion or more when the company has been listed for five or more years.

disclosure of corporate information, and to achieve the proper operation of investor protection measures and market functions. The Tokyo Stock Exchange has established these principles as its Code of Corporate Conduct, which consists of "Matters to Be Observed," which are mandatory under the Exchange's rules, and "Matters to Be Respected," which are recommendations rather than mandatory requirements.

Continued listing criteria/delisting criteria: Under the new market segments each market has its own continued listing criteria based on the respective concept and listed companies are required to comply with these criteria on a continuous basis. If a company is in breach of the criteria and fails to remedy this within the required period, the company will be delisted. In addition to these criteria, there are other criteria common to all the markets.

Regarding the continued listing criteria, less rigorous standards are applied on a transitional basis to companies that were listed prior to the market seg-

Table X-8. Delisting Criteria

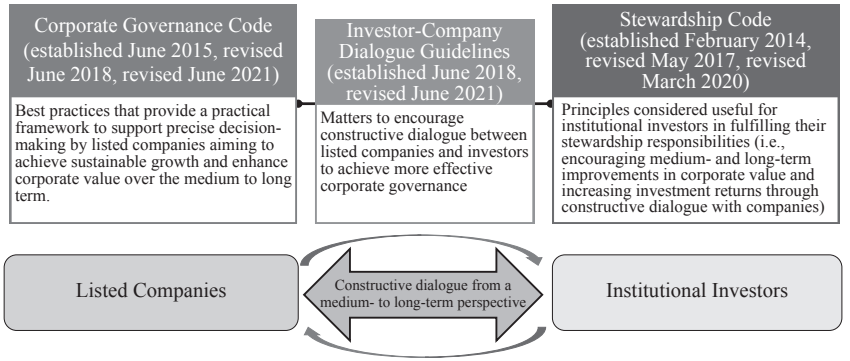
Item	
Failure to Meet Continued Listing Criteria	lack of entrustment to a shareholder services agent
Suspension of bank transactions	restrictions on transfer of shares
bankruptcy/rehabilitation/reorganization proceedings	conversion to a wholly-owned subsidiary
suspension of business activities	ceasing to be subject to the book-entry transfer operation of a designated book-entry transfer institution
inappropriate merger, etc.	inappropriate restrictions on shareholders' rights
impairment of sound transactions with a controlling shareholder	acquisition of all shares
Delay in Submission of Securities Report or Quarterly Securities Report	acquisition by request for sale of shares, etc.
False Statement or Adverse Opinion, etc.	share consolidation
Securities on Alert, etc.	involvement of anti-social forces
Violation of Listing Agreement, etc.	others (cases where delisting is deemed appropriate for public benefits or investor protection)

mentation review. Since March 2025, however, the original continued listing criteria have been applied. If a listed company is deemed likely to meet the delisting criteria, the Tokyo Stock Exchange designates its stock as a Security on Alert and notifies investors accordingly. If a listed company meets the delisting criteria, its stock is designated as a Security to Be Delisted, and the designation is publicly announced. Trading continues for a specified period, after which the stock is delisted.

6. The Corporate Governance Code

Outline of the Corporate Governance Code: The TSE formulated the Corporate Governance Code (the "Code"), a set of key principles that contribute to the realization of effective corporate governance of listed companies. This has been applied to listed companies since June 2015. The Code adopts the "comply-or-explain" approach. Although implementation of each principle is not a uniform requirement, if there is a principle that is not implemented due to the individual circumstances of the company, the company is required to provide an appropriate explanation of the reasons for this and the status of implementation of alternative measures. The Code has been formulated on a principles-based approach. Although there are no clear definitions of terms, it

Chart X-6. Two codes and dialogue guidelines



is expected that those involved will interpret the Code and respond to it appropriately in accordance with the intention and spirit of the Code. All listed companies are requested to document their status of adoption of the Code in a Corporate Governance Report. The reports are to be made available for public inspection on the websites of the relevant stock exchanges, etc.

Apart from the Corporate Governance Code, which is a code of conduct for listed companies, the Stewardship Code has been formulated for institutional investors, and it is expected that the two will work together to promote the sustainable growth of listed companies based on constructive dialogue with institutional investors. In addition, in 2018, as an annex to both codes, the "Guidelines for Dialogue between Investors and Companies" was formulated, which summarizes matters that are expected to be discussed intensively in the dialogue between companies and investors.

Revision of Corporate Governance Code: The Corporate Governance Code was revised in 2018 and 2021. The three main points of the 2021 revision are the enhancement of the function of the board of directors, ensuring diversity in the core human resources of the company, and addressing issues related to sustainability. Furthermore, considering that the Prime Market is a segment focused on constructive dialogue with global investors, principles requiring a higher standard of corporate governance were introduced. Currently, a third revision is under consideration with the aim of further advancing substantive corporate governance reform based on voluntary changes in the mindset of both companies and investors. In addition to issues such as the reallocation of management resources toward growth investments and the publication of securities reports prior to the general meeting, plans are also in place to streamline the Code as a whole with a shift toward a principles-based approach.

Chart X-7. Overview of the Corporate Governance Code

【1. Securing the Rights and Equal Treatment of Shareholders】
Companies should take measures to fully secure rights and equal treatment of shareholders.

- Securing the substantial Rights and Equal Treatment of Shareholders
  ⇒Measures for giving shareholders sufficient time to consider the agenda of general shareholder meetings (early delivery of convening notices, electronic exercise of voting rights, english translation of notice of convocation, etc.)
- Description of capital policies
  ⇒Basic policy, takeover defense measures and changes in controlling rights, necessity and rationale for large-scale dilution, and cross-shareholdings* etc.
  *Cross-shareholdings: disclosure of policy for reducing cross- shareholdings, explanation of the objective and rationale for shareholding based on an examination of economic rationale, establishment and disclosure of standards for the exercise of voting rights

【2. Appropriate Collaboration with Stakeholders Other Than Shareholders】
Companies should recognize that their sustainable growth is brought about as a result of contributions made by a variety of stakeholders, including employees, customers, business partners, and local communities, and should endeavor to appropriately cooperate with these stakeholders.

- Appropriate response to issues surrounding sustainability, including social and environmental problems
- Ensure diversity in the company's core human resources (women, foreigners, mid-career hires)

【3. Ensure Appropriate Information Disclosure and Transparency】
Listed companies are required to appropriately disclose financial and non-financial information in compliance with the relevant laws and regulations, and should also proactively engage in providing other information, thereby providing information that is easy for users to understand and highly useful.

- Enhancement of Information Disclosure
  ⇒Business strategies, Plan, basic principle on corporate governance, policy and procedure of nomination and remuneration of directors, English disclosure, and activities for sustainability

【4. Responsibilities of the Board】
In order to promote sustainable corporate growth and enhance earnings power and capital efficiency, the board should appropriately fulfill the following roles and responsibilities:
(1) Setting the broad direction of corporate strategy;
(2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
(3) Carrying out effective oversight from an independent and objective standpoint

- Use of independent/external directors
  ⇒At least one-third of the directors (prime Market listed companies) or two of the directors (other market isted companies) to be those who are qualitied to contribute to sustainable growth, exclusive meetings for independent directors, lead independent directors, proper involvement in nomination and compensation, etc.
- Ensuring the effectiveness of the board of directors and the audit & supervisory board
  ⇒Evaluation of effectiveness of the board of directors, management of directors' meetings (distribution of materials, matters to be discussed, etc.), access to information (streamlining of the company's support system, provision of opportunities for training, etc.)

【5. Dialogue with Shareholders】
In order to contribute to sustainable growth, companies should engage in constructive dialogue with shareholders.

Source: Materials released by the Financial Services Agency.

7. The Stock Trading System (1)

Most of the transactions on the stock exchanges are conducted during the trading sessions. In the case of the Tokyo Stock Exchange, trading hours are divided into two sessions: the morning session, from 9:00 a.m. to 11:30 a.m., and the afternoon session, from 12:30 p.m. to 3:30 p.m.

There are two main types of orders: limit orders, in which a price is specified, and market orders, which are executed at the prevailing market price. For limit orders, the permissible price increments, such as ¥1 or ¥10, are determined according to the price range of the security. For some issues with particularly high liquidity, finer price increments have been established to improve execution prices and reduce the wait time for orders to be executed. In addition, limit orders are subject to daily price limits based on the previous day's closing price and other reference prices. These limits define the maximum range within which the price of each security may fluctuate during a trading day. In addition, to prevent sharp fluctuations in stock prices over short periods during the trading day, the market has systems in place known as special quotes and sequential trade quotes, which, together with daily price limits, help curb excessive price volatility.

Trades in auction trading are executed through one of two methods—the Call Auction Method (Itayose) and the Continuous Auction Method (Zaraba)—in accordance with the principles of price priority (under which the highest-priced buy order and the lowest-priced sell order take precedence over other orders) and time priority (under which, among orders at the same price, the order entered first takes precedence).

Call auction method: The Call Auction Method (Itayose) is used to determine the opening price at the start of the trading session and in certain other situations. Orders entered before execution are matched according to the principle of price priority at a single execution price that satisfies specified matching conditions, including the execution of all market orders.

Continuous Auction Method: Following the determination of the opening price by the Call Auction Method, the Continuous Auction Method (Zaraba) is used until 11:30 a.m. in the morning session and until 3:25 p.m. in the afternoon session. Newly entered orders are matched in accordance with the principles of price priority and time priority.

In November 2024, the Tokyo Stock Exchange extended the trading session by 30 minutes, from 3:00 p.m. to 3:30 p.m., and introduced a closing auction to enhance the transparency of closing price formation. Following the end of continuous auction trading, a five-minute pre-closing order acceptance period is held before the closing auction.

Table X-9. Methods of Concluding Transactions

Itayose method A memo (on a board) about an order received at the time an opening price is decided		
(Asked price)	(Price)	(Bid price)
H(2) I(4)	Market Quotation	K(1) M(3)
○○○	¥503	
○○○	¥502	T(1)
○○	¥501	P(5) N(2)
G(1) F(1) E(1)	¥500	A(4) B(3) C(2) D(1)
S(2)	¥499	○○○
R(4)	¥498	○○○
	¥497	

Zaraba method A memo (on a board) about a *Zaraba* order for a given issue received		
(Asked price)	(Price)	(Bid price)
	Market Quotation	
○○○	¥503	
○○○	¥502	
○D(2) C(4)	¥501	
B(3) A(3)	¥500	
	¥499	F(3) G(2)○
	¥498	○○○
	¥497	○○○

Notes: 1. Alphabetical letters represent securities companies.
2. Figures given in parentheses represent the number of trading units, each consisting of 100 shares.
3. ○○○ are blanks to be filled with securities companies bidding or asking prices and the number of trading units.
4. In the case of the *Itayose* method, all bid and asked prices are considered to have been proposed simultaneously (simultaneous outcry).

The *Itayose* Method

a. First, a sell order for 600 shares at a market-asked price without limit (200 shares by securities company H and 400 shares by securities company I) is matched against buy orders for 400 shares at a market-bid price without limit (100 shares by securities company K and 300 shares by securities company M). At this point, 200 shares at a market-asked price without limit are left unmatched.

b. Then, assuming that the opening price will be ¥500, the remaining unfilled sell orders for 200 shares at a market-asked price without limit and those for 600 shares at an asked price of ¥499 or less (200 shares by securities company S and 400 shares by securities company R) are matched against buy orders for 800 shares at a bid price of ¥501 or more (500 shares by securities company P and 200 shares by securities company N and 100 shares by securities company T). As a result, sell orders for 1,200 shares at an asked price and buy orders for 1,200 shares at the bid price are matched.

c. Lastly, a sell order for 300 shares at an asked price of ¥500 (100 shares by securities company E, 100 shares by securities company F, and 100 shares by securities company G) are matched against buy orders for 1,000 shares at a bid price of ¥500 (400 shares by securities company A, 300 shares by securities company B, 200 shares by securities company C, and 100 shares by securities company D). However, there are only 300 shares offered for sale at an asked price of ¥500, while there are buy orders for 1,000 shares at a bid price of ¥500. In such cases, all the sell orders for 300 shares at an asked price of ¥500 are matched against the buy orders for 100 shares each from securities company A, B, and C (for a total of 300 shares) at an asked price of ¥500. As a result, the opening price is decided at ¥500, and orders for a total of 1,500 shares are consummated at such price.

The *Zaraba* Method

a. When the contents of an *Ita* (board) are as shown in the chart, a buy order of securities company M for 200 shares at a bid price of ¥500 can be consummated by matching the sell order of securities company A for 200 shares out of its original sell order for 300 shares.

b. When securities company N places a buy order for 1,000 shares at a bid price without limit, it can be consummated by matching it against the remaining 100 shares offered for sale by securities company A at an asked price of ¥500 and a sell order of securities company B for 300 shares at an asked price of ¥500 and then a sell order of securities company C for 400 shares at an asked price of ¥501 and a sell order of securities company D for 200 shares at an asked price of ¥501.

c. If securities company K places a sell order for 500 shares at an asked price of ¥499, a contract can be concluded by matching it against a buy order of securities company F for 300 shares at a bid price of ¥499 and a buy order of securities company G for 200 shares at a bid price of ¥499.

d. As a result, the following trading agreements can be concluded

Selling securities company	Buying securities company	Contracted price	No. of shares
Securities company A	Securities company M	¥500	200 shares
Securities company A	Securities company N	¥500	100 〃
Securities company B	Securities company N	¥500	300 〃
Securities company C	Securities company N	¥501	400 〃
Securities company D	Securities company N	¥501	200 〃
Securities company K	Securities company F	¥499	300 〃
Securities company K	Securities company G	¥499	200 〃

e. In such a manner, asked and bid prices are offered without interruption during the session hours, and when buy orders (sell orders) are matched against sell orders (buy orders), trading agreements are concluded.

8. The Stock Trading System (2)

While most of the transactions are executed during the trading sessions, stock exchanges introduced complementary off-auction trading systems in the second half of the 1990s to accommodate the need for executing block trades or basket trades.

During the initial period that followed the introduction of these systems, the systems were used solely for executing cross transactions (buy and sell orders by the same trading participant) due in part to the restriction that required orders to be placed via fax. However, the Tokyo Stock Exchange automated its off-auction trading system to improve efficiency and convenience with the introduction of ToSTNeT in June 1998 and expanded its trading system by adding new classes of transactions.

After that, in January 2008, further classes of transactions were added and trading hours were extended, making the market independent from trading sessions. Regarding single stock trading and basket trading, in August 2020 and May 2021, various measures were put in place to improve the system in line with the diversification of the trading needs of investors, for instance through the expansion of the range of settlement dates that can be specified.

ToSTNeT, the off-auction trading system of the Tokyo Stock Exchange, accommodates the following four types of transactions: single-stock trading, basket trading, closing-price trading, and off-auction corporate share repurchases.

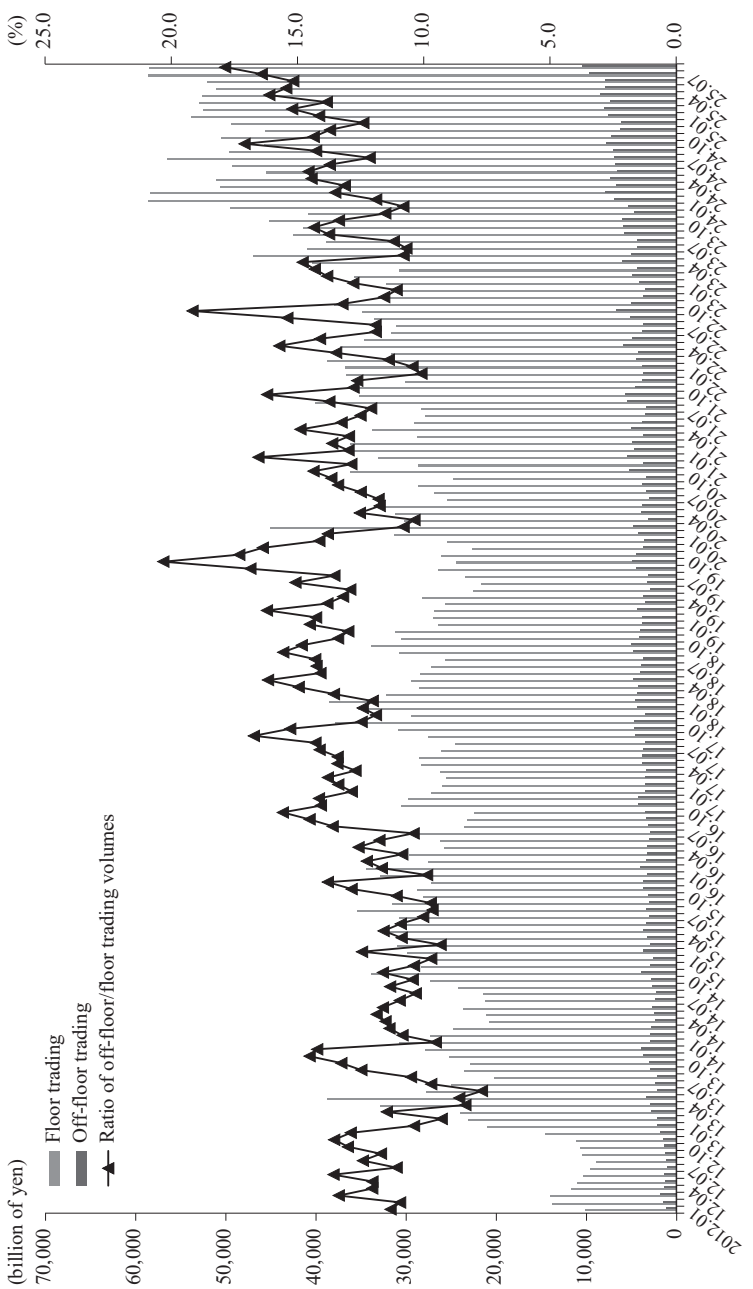
Single-stock trading: Under the single-stock trading system, investors trade individual stock issues at a price within plus-minus 7% (¥5 when 7% of the price is less than ¥5) of the last price of the issue on the floor or some other reference price as specified.

Basket trading: The basket-trading system enables investors to trade baskets of a minimum of 15 stocks worth at least ¥100 million in aggregate value within plus-minus 5% of the value of the basket based on the last prices of the component issues on the floor or some other reference prices as specified.

Closing-price trading: Under the closing-price trading system, off-auction orders of investors are matched, in principle, based on time priority before the morning and afternoon sessions and after the afternoon sessions at the closing prices of the preceding session or some other reference prices as specified.

Off-auction corporate share repurchases: Orders for share buyback are executed before the morning session at the previous day's closing prices or some other reference price as specified. Buyers eligible for the facility are limited to listed companies that intend to repurchase their own shares.

Chart X-8. A Comparison of the Trading Value of Floor Trading and Off-Floor Trading of the Tokyo Stock Exchange



9. Computerized Trading and Clearing Systems of the Financial Instruments Exchange (Stock Exchange) (1)

The following is a summary of the electronic stock trading system and the settlement and clearing system that maintain the stock market.

The Stock Trading System is used in the cash market of the Tokyo Stock Exchange to match orders, generate trade execution reports, and provide market information, including order book inquiries. It processes transactions in stocks, CBs (convertible bonds with stock acquisition rights), and other securities executed both in auction trading and through ToSTNeT (off-auction trading). Orders from a trading participant are mainly entered through the trading participant's in-house system or through a direct connection to the TSE's trading system.

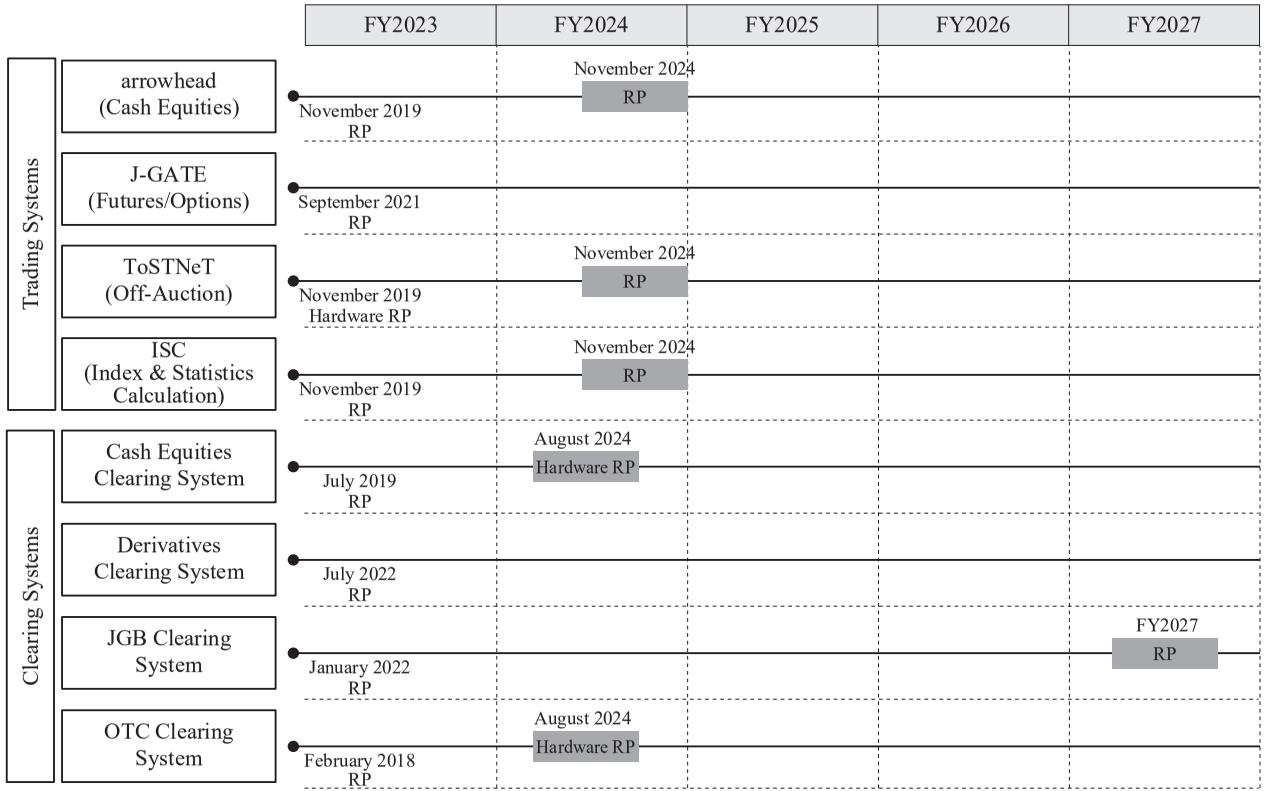
The computerization of securities trading at the TSE started with CORES (Computer assisted Order Routing and Execution System) (the old stock trading system) that was introduced to the Second Section in January 1982. The stock trading systems currently in operation are arrowhead and ToSTNeT. arrowhead was designed to achieve both high speed and high reliability in order to address changes in the market environment, including the further development of electronic trading and the continuing increase in the number of orders, as well as the associated risks. It has been in operation since 2010.

Following the establishment of the JPX in January 2013 and the integration of the cash market into the TSE in July 2013, trading in stocks and CBs on the OSE was also consolidated into the arrowhead and ToSTNeT systems. Since then, the systems have undergone three upgrades based on three guiding principles: enhanced reliability, improved usability, and greater processing capacity. The most recent upgrade (implemented in November 2024) included measures to extend trading hours, introduce a closing auction, and further strengthen system resilience.

The settlement and clearing system for stocks and CBs is designed to support delivery and other operations for the settlement and clearing of transactions executed on the TSE and other markets. Since January 2003, the JSCC has acted as the cross-market clearing organization for all domestic exchanges.

The data for this process from trading participants, etc., is passed through the TSE's dedicated network arrownet.

Chart X-9. System Integration Schedule of Japan Exchange Group, Inc.



Source: IT Master Plan, Japan Exchange Group, March 2025

10. Computerized Trading and Clearing Systems of the Financial Instruments Exchange (Stock Exchange) (2)

The following is a summary of the trading system and the settlement and clearing system that support the derivatives market.

The Derivatives Trading System is used in the derivatives market of the Osaka Exchange to match orders, generate trade execution reports, and provide market information, including order book inquiries. It processes on-auction and off-auction transactions in futures, options, and other derivatives. Orders from trading participants are mainly entered through trading participants' in-house systems, which are directly connected to the exchange's trading system.

The OSE's trading system for derivatives, J-GATE, has the same functions and transaction formats as the systems used by major overseas markets. In introducing the system which began operation in February 2011, the OSE reviewed the complex transaction system peculiar to Japan to address the shift among investors to algorithmic and other advanced and diversified trading methods.

Following the launch of JPX in January 2013, the derivatives markets of the TSE and the OSE were amalgamated on the OSE market in March 2014, and derivatives products listed on the TSE were integrated into J-GATE. The J-GATE network was also consolidated into arrownet in September 2014.

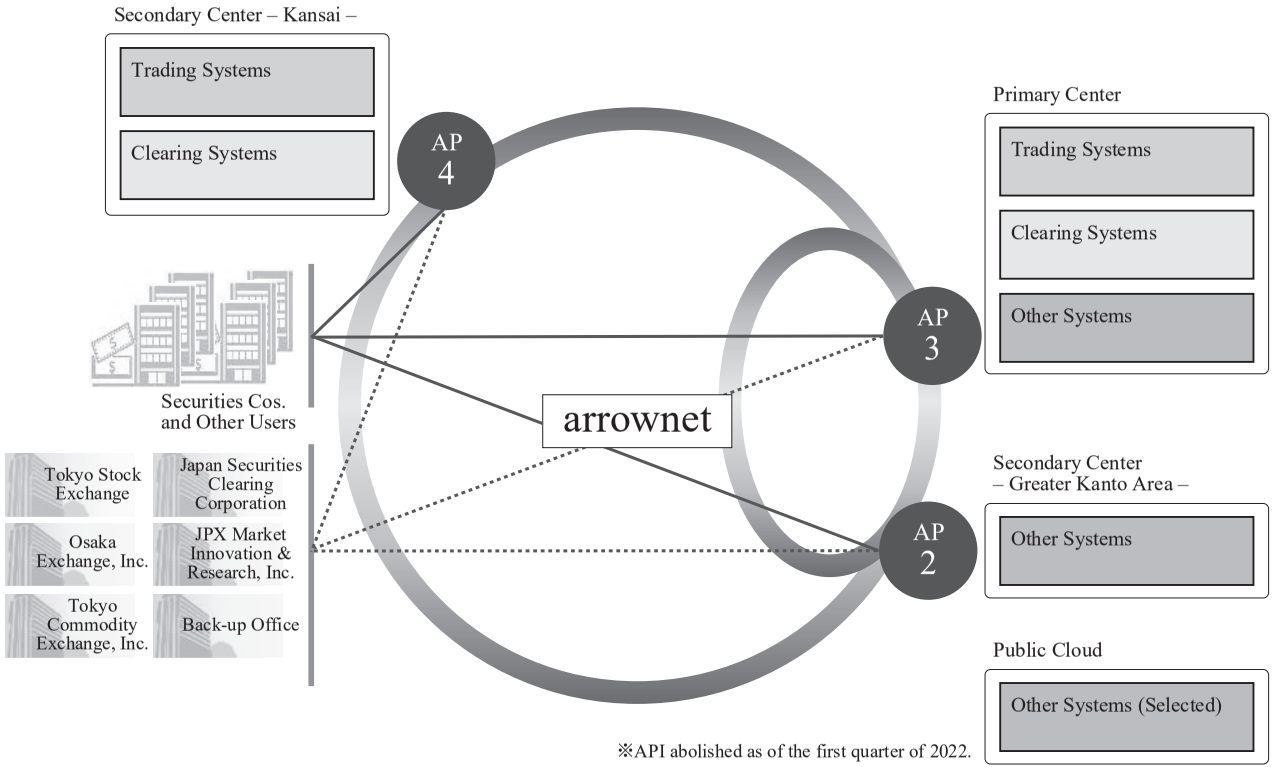
In July 2016, the system was updated and based on NASDAQ's Genium INET trading platform with a view to further increasing stability and reliability as well as promoting liquidity.

In September 2021, the system was updated to enable the addition of flexible products and functions, and to further improve system reliability and convenience.

Although the OSE had been using the OSE clearing system while the TSE used the JSCC clearing system, the clearing organizations were integrated into the JSCC in July 2013 and all margin operations relating to derivatives trading have since been processed on the JSCC clearing system. Subsequently, in November 2014, clearing and settlement operations were also integrated into the JSCC clearing system. In February 2018, partial replacements were made for the settlement and clearing function for futures options transactions.

In July 2020, following the merger of the Tokyo Commodity Exchange (TOCOM) and its clearing organization, the Japan Commodity Clearing House (JCCH), clearing and settlement operations for commodity derivatives were integrated into the JSCC clearing system.

Chart X-10. Image Diagram of Japan Exchange Group's System (as of April 2026)



Source: IT Master Plan, Japan Exchange Group, March 2025.

11. TOKYO PRO Market

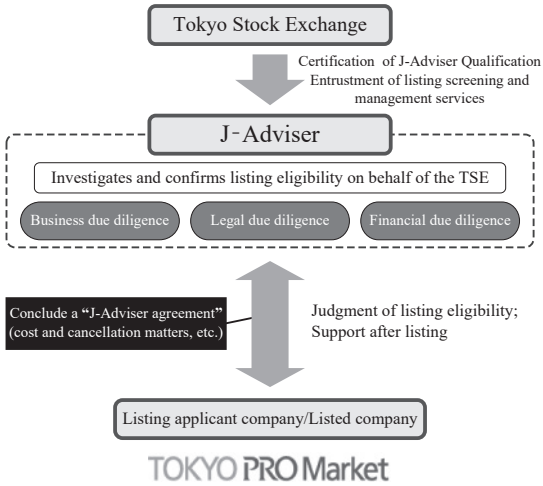
The TOKYO PRO Market is a market for professional investors now operated by the Tokyo Stock Exchange (TSE). Its origin is the TOKYO AIM, which was jointly established by the TSE and the London Stock Exchange (LSE) in June 2009. TOKYO AIM, Inc., was originally operated as a partnership (ownership: TSE 51%; LSE, 49%). In March 2012, however, the TSE acquired LSE's stake and merged Tokyo AIM with the TSE in July 2012. TOKYO AIM is operated under the professional investor market system provided for by the enactment of the December 2008 revision of the Financial Instruments and Exchange Act (FIEA).

Placing orders on traditional exchanges is not limited to any special category of investor. The professional investor market system, conversely, restricts trading to professional investors and nonresidents. Where fund procurement is limited to professional investors, securities registration statements are not required, and issuers need only make public financial information, etc. (called specified securities information), using the format and method stipulated by the TSE. Companies already listed on the exchange,

Table X-10. Overview of TOKYO PRO Market Listing System

<table>
<tr><td>Disclosure language</td><td>• Japanese or English</td></tr>
<tr><td>Listing criteria</td><td>• No quantitative criteria</td></tr>
<tr><td>Subject of evaluation</td><td>• J-Adviser (Conducts review and check on listing eligibility on behalf of the exchange)</td></tr>
<tr><td>Period from listing application to listing approval</td><td>• As a general rule, ten (10) business days
• (provided, however, that there is a check procedure by the exchange to J-Adviser 30 business days prior to application)</td></tr>
<tr><td>Audit certification</td><td>Latest one (1) year</td></tr>
<tr><td>Internal control report</td><td>Optional</td></tr>
<tr><td>Quarterly disclosure</td><td>Optional</td></tr>
<tr><td>Investors</td><td>• Professional investors (Note) and non-residents
Note: Professional investor refers to:
<table>
<tr><td>Specified investors (Tokutei Toushika)</td><td>Qualified Institutional Investors (e.g., financial institutions); National government; Bank of Japan</td></tr>
<tr><td>Specified investors (Tokutei Toushika) (may shift to general investors)</td><td>Listed companies and corporations with paid-in-capital of no less than ¥500 million</td></tr>
<tr><td>"Deemed" specified investors</td><td>Corporation other than the above specified investors
Individuals who meet certain requirements</td></tr>
</table></td></tr>
</table>

Chart X-11. Role of J-Adviser



J-Adviser System

■ Roles

- The J-Adviser investigates and confirms listing eligibility for new listings (so-called listing examination)
- Provides continuous give advice and guidance to ensure that listing eligibility can be maintained even after listing
- Listing companies are obligated to maintain one (1) responsible J-Adviser at all times

■ Requirements

- The applicant company must have experience in corporate finance advisory operations (IPOs/M&A) and stock offering support services, etc., have human resources well-versed in such areas of business and must be authorized by the exchange.

◇List of approved J-Advisers today
(21 companies; in alphabetical order)

- IR Japan, Inc.
- AIZAWA SECURITIES Co., Ltd.
- SMBC Nikko Securities Inc.
- SBI SECURITIES Co.,Ltd.
- Kyushu FG Securities, Inc.
- The Saga Bank, Ltd.
- G-FAS Corporation
- J Trust Global Securities Co., Ltd.
- Japan Investment Adviser Co., Ltd.
- Daiwa Securities Co., Ltd.
- TAKARA PRINTING Co., Ltd.
- TANABE CONSULTING GROUP CO.,LTD.
- Nihon M&A Center Inc.
- Nomura Securities Co., Ltd.
- Phillip Securities Japan, Ltd.
- Funai Consulting Incorporated
- Bridge Consulting Group, Inc.
- Mizuho Securities Co., Ltd.
- Mita Securities Co., Ltd.
- Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- MEINAN M&A CO., LTD.

*As of End of December 2025

moreover, need not submit annual securities reports and need only make public financial information, etc. (issuer information), using the TSE-stipulated format and method. The submission of internal control system reports and quarterly disclosure is voluntary. By premising requirements on the fact that only professional investors—those capable of analysis and making investment decisions—will invest in the market, the cost burden of issuing has been reduced in comparison with traditional stock exchanges.

Even in the professional investor market, statutory penalties apply to false statements in financial reports and other disclosure documents, as well as to insider trading. In addition, the Large Shareholding Reporting System and the Tender Offer (TOB) System apply in the same manner as in other markets. The page on the right shows details of how the TOKYO PRO Market aims to provide a flexible but disciplined market system for issuers and investors through the J-Adviser system (approved adviser system) within the previously mentioned legal framework. This operational method, which has the J-Adviser system at its core, has been drawn substantially from the Nomad (Nominated Adviser) system of the LSE's Alternative Investment Mar-

ket (AIM). Under the system, specialists in corporate finance, etc., who have been approved as J-Advisers are required to guide a company through the admission process and to fulfill a duty to provide advice and instruction on timely disclosure and other regulatory matters following listing.

As of December 31, 2025, the TOKYO PRO Market had 21 J-Advisers and 163 listed companies.

12. Market Making Scheme in the ETF Market

The TSE introduced a market-making scheme (hereinafter referred to as the "scheme") in the ETF (Exchange Traded Funds) market on July 2, 2018 to improve the liquidity of ETFs. Under the scheme, market makers who are designated by the exchange place constant orders on the basis of continuous

Table X-11. Overview of ETF Market Making Incentive Scheme

Category	Item	Description
Target	ETFs excluding Leveraged/Inverse ETFs	• ETNs and Leveraged/Inverse ETFs are not included in this scheme.
Qualifications	Prop Desk of TSE Trading Participant Or Registered Low Latency Trader	• Prop Deskof TSE Member Firm (Type 1 Financial Instruments/Foreign Securities Broker) • Agency (Registered as Low Latency Trader) Either can sign up as an ETF Market Maker. The firm must apply through a TSE trading participant to sign up as an agency market maker. • Dedicated Virtual Server is needed.
Obligation (Quote display obligation)	(1) Number of ETFs for Continuous Quoting	• Must show quotes for at least the number of ETFs designated
	(2) QuotingTime	• At least 80% of the time during continuous auction. Exempt from obligation during trading halts or Special Quote periods.
	(3) Spread & Minimum Quantity	• Depends on type of ETF
Incentives	1. Proportional to TradingValue	• Price rate differs by liquidity (Average Trading Value).
	2. Waiver of Access Fee	• Access fee is partially waived for eligible issues.
	3. Waiver of Virtual Server Fee	• Server fee is partially waived when continuously quoting at least the number of ETFs designated.

Source: Tokyo Stock Exchange, Inc.

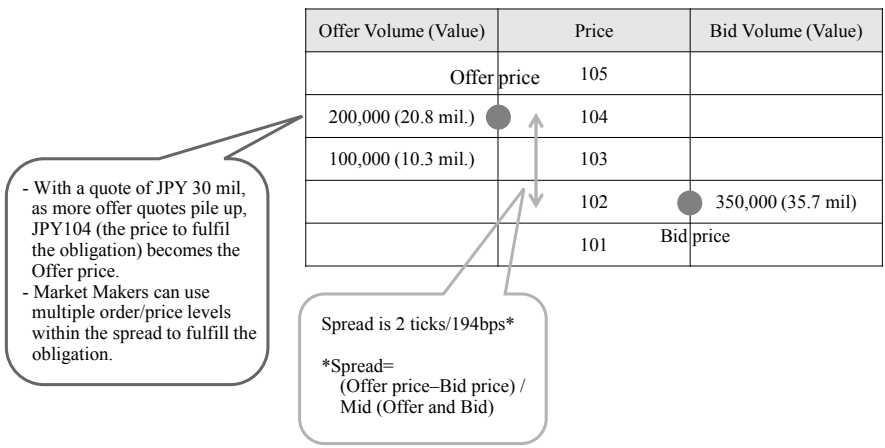
Table X-12. Continuos Quoting Obligation and Delivers a of number of Incentives

As of July 1, 2025

Type	Issue	Maximum Bid-Ask Spread (whichever is larger)	Minimum Quantity
A	ETFs tracking Nikkei 225, TOPIX, JPX Nikkei 400, JPX Prime 150 (excl. leveraged/inverse type)	20 bps OR 2 ticks	JPY 30 mil.
B	ETFs tracking other domestic stocks, REITs, bonds, Leveraged inverse ETFs tracking domestic stocks, REITs and bonds, Actively managed ETFs mainly comprised of domestic stocks, REITs and bonds.	50 bps OR 3 ticks	JPY 10 mil.
C	Foreign index and commodity ETFs, Leveraged/inverse ETFs that do not fall under type B, Actively managed ETFs mainly comprised of foreign assets and commodities.	50 bps OR 3 ticks	JPY 5 mil.
D	Individually designated ETFs	80 bps OR 4 ticks	JPY 5 mil.

Source: Tokyo Stock Exchange, Inc.

Chart X-12. Quote Display Sample



Source: Tokyo Stock Exchange, Inc.

quote obligations as prescribed, thereby enabling investors to trade on a timely basis at appropriate prices. The scheme covers all ETFs. Market makers select at least five ETFs, excluding leveraged and inverse ETFs, and provide quotations for them.

Continuous quote obligations and incentives

Market makers can earn incentives in exchange for placing constant orders on the basis of continuous quote obligations as prescribed. There are three types of quote obligations: 1) the number of issues for continuous quoting, 2) quoting time period, and 3) spread and minimum quantity. By fulfilling all of these obligations, a market maker can obtain incentives proportional to trading value and partial exemptions on transaction costs. In addition, incentives based on trading value are set at higher levels for ETFs with lower historical daily trading value, while no such incentives are paid for leveraged or inverse products or for issues with a daily trading value exceeding ¥5 billion. This is designed to encourage market makers to participate in less liquid issues.

The constant orders placed by the market makers on the basis of continuous quote obligations lead to a narrowing of spreads and an increase in volumes for a number of issues on an ongoing basis in the auction market, thereby providing an environment that is conducive to trading for investors.

Sponsored ETF Market Making Scheme

While the TSE scheme offers one-size-fits-all obligations and incentives across the board to ensure equal treatment of each ETF in the same category, a sponsored ETF market making scheme is also being implemented which enables asset managers to set their own additional quote obligations and incentives for market makers. It is expected to encourage more market makers to sign up for issues that are harder to trade in and to introduce a higher level of quote obligations, leading to greater liquidity in such ETFs.