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**Frequently Asked Questions regarding  
“Overview of Market Structure Review and Outline of the New Market Segments”**

March 31, 2020

Tokyo Stock Exchange, Inc.

※This document has been prepared to answer frequently asked questions regarding the “Overview of Market Structure Review and Outline of the New Market Segments” (published on February 21<sup>st</sup>, 2020), (Hereinafter referred to as “Feb 21<sup>st</sup> Overview”). Please refer to the relevant pages of Feb 21<sup>st</sup> Overview when you go through this FAQ.

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**1. Basic Concept of the New Listing Criteria [(Ref) Feb 21st Overview page 6]**

Q1. What is the length of the grace period for improvement in the event of a breach of Continued Listing criteria for each market segment?

A. We plan to set a grace period for each continued listing criteria appropriate for the period necessary to formulate and execute an improvement plan and check the progress of the improvement. Details will be provided in the outline scheduled to be published within 2020.

Q2. Can the company transfer to a different market segment if it breaches the continued listing criteria of the current market segment it is listed?

A. If a listed company that has breached the continued listing criteria for one market segment wishes to transfer to another market segment instead of drafting and executing an improvement plan, as described in [Q4](#), the company is expected to apply for a listing in a market segment and will be reviewed according to the same criteria as the initial listing criteria.

Q3. The new market segments do not have special lowered requirements for "transfer between market segments," but will there be a transfer mechanism between market segments in the event of breach of the continued listing criteria for each market segment? .

A. Under the new market segment, each market segment has a unique concept and is independent of each other. Therefore, the reassignment mechanism under the existing market segments (i.e. If a listed company in the First Section breach certain criteria, the company will be assigned to the Second Section) will not be implemented, and there will be no involuntary segment transfer mechanism. Therefore, changes to other market segments will be made based on application based on applications from listed companies.

Q4. Under the new market segment, if a listed company applies for a transfer to another market segment, it will need to be re-examined according to the same criteria as the initial listing standard for that market segment. Will the company be "delisted" once (and be unlisted for a while), and then once approved be listed again?

A. The company will likely be able to apply for listing on a different market segment, while maintaining the listing in the current market segment (the listing process will be the same as market transfer applications under the current market segments, such as when the Second

Section listed companies apply for transfer to the First Section.) As such, it is unlikely that the company will be “unlisted” even temporarily. Details of the procedure for changing the market segment will be provided in the outline scheduled to be published within 2020. Please note, if the company is in violation of the continued listing criteria, and it has applied for a transfer of market segment but could not meet the initial listing standard of the market segment it chooses to transfer to within the grace period, then the company might be “unlisted” for a while.

**2. Listing Requirements for the Prime Market [(Ref) Feb 21st Overview page 7]**

**• Liquidity**

**Q5. How is the “Tradable Share Market Cap” under the continued listing criteria calculated?**

A. Market capitalization of tradable shares is calculated by multiplying "number of tradable shares" by "stock price". Under the current rules, the last price at the end of the business year for the listed company (or the base date of shareholders, etc., if the base date of shareholders is different from the end of the business year) is used as the "stock price." Under the new market segment, in order to mitigate the effects of temporary volatility of stock price, the "stock price" is expected to be an average price over a certain period. Details will be provided in the outline to be published within 2020.

**Q6. Why is “trading value” required in the continued listing criteria set as “average daily trading value of 0.2 billion yen or more”? How is the "trading value" calculated?**

A. In order to provide an environment where various domestic and foreign institutional investors can smoothly trade in the market, there needs to be enough liquidity to ensure that institutional investors' buy and sell order can be smoothly executed. Therefore, considering the level of liquidity when even the market shrunk, such as the financial crisis, the minimum level of liquidity required is set as "average daily trading value of JPY 200 million or more". The calculation of the "trading value" is expected to be calculated based on trading value over a certain period of trading on the Tokyo Stock Exchange order book, and details will be shown in the outline to be published within 2020.

**Q7. How can the listed companies confirm the most recent trading value of their stocks?**

A. “Stock Quotations” published on JPX Website lists the monthly trading value per issue.

Top page> Data & Statistics>Statistics (Equities)> Monthly Quotations.

[https://www.jpx.co.jp/markets/statistics-equities/price/nlsgeu00004jsqy-att/st\\_202001.pdf](https://www.jpx.co.jp/markets/statistics-equities/price/nlsgeu00004jsqy-att/st_202001.pdf)

**Q8. Will there be no continued listing criteria regarding the size of market capitalization (market cap.)?**

A. As in the question, there will be no continued listing criteria regarding the size of market capitalization, but only as an initial listing standard. However, there will be the market capitalization of tradable share for both the continued listing criteria and the initial listing criteria.

**Q9.** When transferring to the Prime Market from Standard Market or Growth Market, which criteria will be applied; "JPY 25 bn. market capital" or "daily JPY avg. 20 mn."?

- A. If a listed company wishes to transfer to another market segment, it will go through the initial listing examination based on the same criteria as the new listing standard, therefore, it will be required to have market capitalization of JPY 25 bn. or more. After transferring to the Prime Market, the average daily trading value of JPY 200 mn. or more will be applied as a continued listing criteria.

▪ Governance

**Q10.** For the Prime market, there is a reference stating "Revised CG Code fully applied," does it mean that compliance to all principles is required?

- A. As for the application of Corporate Governance Code, as of this moment, it is expected to be on the principle of "Compliance or Explain" even after the Code is revised. For this reason, it is assumed that "Compliance or Explain" will be required for listed companies in the "Prime Market" even if all the principles of the revised Corporate Governance Code are applied. The revision of the Corporate Governance Code will be discussed at "The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code."

**Q11.** In the Prime Market, what kind of substantive examination will be conducted on governance? Is there a difference from the Standard Market?

- A. Under the new market segment, as in the current rules, the "Effectiveness of corporate governance and internal management system of an enterprise" will be one of the points of substantive examination item in the initial listing examination. Under the new market segment, because it is expected that Corporate Governance Codes will require different governance standard between the "Prime Market" and the "Standard Market," and because the concept of "Prime Market" require listed companies to engage in constructive dialogue with investors, it is likely that there will be difference in the examination regarding the "Effectiveness of corporate governance and internal management system of an enterprise." For example, at the initial listing examination for the "Prime Market," point of examination includes but not limited to whether the "Comply or Explain" to the revised Corporate Governance Code is properly disclosed in the report on corporate governance, etc. the status of ensuring the effectiveness of constructive dialogue with investors. Please note, as in [Q10](#), it is not expected that the compliance to Corporate Governance Code, whether full or part of it, will

be mandated.

**• Business Performance • Financial Status**

**Q12.** “Eligibility requirements for business performance and financial status” is referred to as “Condition for accepting application for an IPO,” does it mean it is not part of the continued listing criteria?

A. As in the question, “Eligibility requirements for business performance and financial status” is not one of the continued listing criteria. As part of the initial listing examination, substantive examination will be conducted if these criteria are met.

**Q13.** Among the “Eligibility requirements for business performance and financial status” why is the “profit amount” set at a higher standard (Total profit for recent 2 yrs. at least JPY 2.5 bn.) than the current initial listing standard of the first section of the market (JPY 500 mn. in the last two years)?

A. At the time of the initial listing examination of the First and Second Section of the current market, the criteria for profit for the last two years is to be JPY 500 mn. or more. However, it has been pointed out that the standard is not properly functioning as a numerical standard for those companies listing directly to the First Section. Under the new market segment, standards such as "Market capitalization of Tradable shares of JPY 10 bn" and "Market capitalization of JPY 25 bn" are required for initial listing on the "Prime market," therefore, accordingly the criteria for amount of profit will be revised to an appropriate level (total profit over the last two years, more than JPY 2.5 bn.).

**Q14.** Will there be changes in the definition of amount of “Profit”?

A. There is no change expected from the present definition; the amount of profit calculated based on the consolidated statement of income (the amount calculated by adding or subtracting net income (loss) attributable to non-controlling shareholders from consolidated ordinary income (loss)). For those listed companies that uses the IFRS voluntarily, the definition will remain unchanged as well; the amount equivalent to the amount of profit calculated based on the consolidated statements of income (calculated based on the amount of profit before tax).

**Q15.** For those companies that have posted a deficit at the time of initial listing (or application of the initial listing), when considering applying for initial listing using the “sales results” criteria, what kind of initial listing examination will be performed?

A. The criteria for “sales performance” are based on the assumption that, after initial listing, continuous “investment” to increase corporate value over the medium to long term will result in

continuous deficit, etc. It is intended to substantially confirm whether the company “has a stable and excellent profit base and financial position” considering the actual business conditions. The specific substantial examination will be conducted to determine how “investment”, which is the cause of single-year profit and/or cash flow deficits, is expected to contribute to the enhancement of corporate value after listing, and how such “investment” impacts the continuity/viability of the applicant's business and whether there are prospects for the earnings base and financial position of the entire initial listing applicant even considering the “investment.”. It is also expected that the company discloses enough information on these points. Details will be provided in the outline for revision of the current rules.

**Q16. Should the “Financial status” criteria on the "net worth" be met on the listing date?**

- A. There is no change from the current rules, and it is sufficient if the company could be expected to meet the criteria on the initial listing date.

**Listing Requirements for the Standard Market [Ref] Feb 21st Overview Page 8]**

• Liquidity

**Q17. How is the “Tradable Share Market Cap.” for continued listing criteria calculated?**

- A. Please refer to [Q5](#) for Prime Market.

**Q18. Will there be no criteria for simple “Market Cap.” for the initial listing criteria and the continued listing criteria?”**

- A. As in the question, there is no criteria for simple “Market Cap.” for the initial listing criteria and the continued listing criteria?” the initial listing criteria.

• Governance

**Q19. If a company listed on the JASDAQ selects and transfers to the Standard Market, will all the principles of the Corporate Governance Code be applied?**

- A. Under the current rules, companies listed on the JASDAQ Standard are only subject to the basic principles in the Corporate Governance Code. Upon transferring to the new market segment and selecting Standard Market, such companies are expected to “Comply or Explain” to the full Corporate Governance Code. In this case, it is assumed that in the “Procedures for Market Selection” scheduled for the fall of 2021, a report on corporate governance with updated descriptions of the required contents will be submitted together with the application for market selection.

Q20. Will the future revisions of the Corporate Governance Code, intended for the Prime Market listed company, be applicable to Standard Market listed companies?

A. No.

• Business Performance and Financial Status

Q21. "Eligibility requirements for business performance and financial status" is referred to as "Condition for accepting application for an IPO," does it mean it is not part of the continued listing criteria?

A. Please refer to [Q12](#) for Prime Market.

Q22. Will there be changes in the definition of amount of "Profit"?

A. Please refer to [Q14](#) for Prime Market.

Q23. Should the "Financial status" criteria on the "net worth" be met on the listing date?

A. Please refer to [Q16](#) for Prime Market.

**Listing Standards for the Growth Market [(Ref) Feb 21st Overview page 9]**

• Business Plans

Q24. How will the "high growth potential" as stated in the Concept, be evaluated at the initial listing examination.

A. As in the current initial listing rules for Mothers, submission of the opinion on "Grounds of determination of high growth potential" is required as the annex to the recommendation letter prepared by the lead underwriter. Under the current rule, if there is a certain amount of sales and profits (in the last two years, the amount of profits in the last one year has increased by more than 30% from the previous year to more than 100 million yen, and the recent sales has grown in comparison to the sales of first year), the submission of this recommendation is exempted. This exemption will not be application under the new market segment, and therefore all initial listing applicants will be required to submit a "Recommendation Letter".

Q25. For listing examination to confirm that "reasonable business plan" is in place, is there any change for the substantive examination for listing on the current Mothers market?

A. Under the new market segment, the initial listing examination practices related to confirming "reasonableness of business plans" will be reformulated and examination points will be clarified. Specifically, for example, if the company posted a deficit at the time of listing, regarding the "probability of turning profitable" after listing, especially for investment-intensive companies that are expected to record a deficit continuously for a certain period after listing, the points of examination will be clarified, focusing on confirming the business plans for realizing "high growth potential."

In addition, the business plan that is the basis of the initial listing must be appropriately disclosed to investors, and it is necessary to be able to continuously disclose the progress even after the listing. Please also refer from [Q27](#) to [Q29](#).

**Q26.** Will the "Initial listing of investment intensive Biotech ventures" (published on December 26, 2019, only in Japanese) be applicable in the "Growth market"?

A. The "Initial listing of investment intensive Biotech ventures" published last year clarified the examination points for initial listing of investment-intensive biotech ventures who posted deficit at the time of listing and expected to continue to do so. Specifically, it clarified the focus of initial listing examination on Biotech ventures focusing on the reasonableness of "business plan" and "adequacy of disclosure." The same shall apply for the initial listings on the "Growth market" under a new market segment.

**Q27.** What is the "Business Plan and Matters Related to High Growth Potential" that are required to be disclosed? Specifically, what is expected to be described, the period to be covered by the business plan, the timing of disclosure, etc.?

A. In addition to the business models of each company, market scale, sources of competitiveness, business risks, some points to be described in detail are strategies for realizing growth and management indicators that indicate their progress. Specific items to be disclosed will be published in the outline for revision of the current rules, as well as the guidelines on what information is expected in the "Business plans and matters related to high growth potential," which is planned to be published before the effective date of the revisions of the rules. Since the business plan of the listed company is likely to be diversified in terms of its business itself and business model, the period that the business plan covers should be set accordingly, to help investors make reasonable investment decisions. In addition, IPO companies are required to disclose the relevant documents on the listing date and continuously disclose their progress thereafter.

**Q28. When should the progress of the business plan after listing be disclosed?**

- A. After listing, progress of the business plans should be disclosed at least once per business year (at least once a year, or quarterly, depending on the achievement of milestones in the disclosed plan). In some cases, it may be appropriate to make the disclosure once or more. Details will be published in the system outline for partial revision of the current system.

**Q29. What is the difference between the disclosure of the progress of the business plan after the listing and the disclosure of earnings forecasts and their revisions?**

- A. The purpose of disclosure of the progress of the business plan is to clarify the progress of the contents described in the “Business Plan and Matters related to the High Growth Potential” that are required to be disclosed at the time of listing. In general, “Business Plan and Matters related to the High Growth Potential” will contain strategies and measures for realizing medium- to long-term growth, and management indicators that indicate their progress. On the other hand, in business performance forecasts, in practice, when announcing financial results for a business year, the format for disclosing figures for profit plans for the next business year is widely adopted. For listed companies, when a new forecast is calculated and the content is different from the forecast just before it was announced (if there is no announced forecast, it differs from the published previous year's actual figures) Timely disclosure of revisions to earnings forecasts is required.

**Q30. Are there any market capitalization standards in the initial listing standards?**

- A. As you in the question, the initial listing criteria does not include a standard for market capitalization. In order for the “Growth market” to continue to maintain the role of Mothers market, as a market for start-up companies to raise capital, the minimum liquidity that can be invested by ordinary investors is required (market capitalization of tradable shares 500 million yen is required). In addition to requiring disclosure of the business plan for realizing high growth potential at the time of listing and after listing, as well as continued listing criteria market capitalization of 4 billion yen or more starting from the 10th year after listing, to require companies that have lost growth potential after listing to withdraw from the company.

**Q31. When does the count for “10 years after listing market capitalization of 4 billion yen or more” standard start (when is this “listing”)?**

- A. For listed companies that have selected “Growth market” for the transition of the New Market

structure, the date of initial listing on the TSE will be treated as the “Listing Date”. (For listed companies that were listed solely on the Osaka Stock Exchange before the cash equity market consolidation in July 2013, the date of their initial listing on the Osaka Securities Exchange is referred to as the “listing date.” For listed companies that were listed on the JASDAQ Securities Exchange as of March 31, 2010, JASDAQ, the date of the initial listing on the JASDAQ is referred to as the “listing date.” For listed companies that have been technically listed through a stock transfer, etc., the date the companies initially listed before the effective date of the stock transfer, will be referred to as the "listing day.")

For the time being, the listed companies that have selected “Growth market” in the “Market Selection Procedures” will be under the grandfather rules as transitional measures in place of the new continued listing criteria. .

**Q32.** Under the current continued listing rules for Mothers, it is necessary to select a market segment 10 years after listing. Will there be such mechanism in the Growth market?

A. As in the question, currently at Mothers, 10 years after the listing and every five years thereafter, the listed companies are required to choose whether it will continue to list on the Mothers or to transfer the Mothers to the main market (Second Section) Under the new market structure, each market segment will be operated independently, so there will be no selection process as such. As for the current Mothers’ rule, where if the market capitalization exceeds 4 billion yen, then the listed company can continue listing on Mothers, it will be applicable under “Growth market” as a continued listing criterion (over JPY 4 billion starting from 10 years after listing).

• Liquidity

**Q33.** How is the “Tradable Share Market Cap” under the continued listing criteria calculated?

A. Please refer to [Q5](#) of Prime Market.

**Examination of the Definition of “Tradable Share” [ (Ref) Feb 21st Overview page 10]**

Q34. When will the details of “Examination of the Definition of “Tradable Share” be published? And when is the effective date?

- A. The revision of the definition of Tradable Shares will be published in detail in the outline for new requirements for the new market segment, to be announced within 2020, and will be effective along with the transition to the new market segment on April 1, 2022. When notifying listed companies of the status whether listed companies have met the continued listing criteria of the new market segments or not (at the end of July 2021, see page 13 of “Overview of New Market Segments, etc.”), will be made based on the revised definition of Tradable Shares.

Q35. What specific revisions will be made for the definition of “Tradable Share”? For example, how will the cross-shareholdings and PE Fund be treated?

- A. The revision of the definition of the “Tradable Shares” are currently under consideration, including what the specific types of shares should be excluded from the number of Tradable Shares in view of the actual status of holdings, and how to ascertain them. Details will be provided in the outline to be announced within 2020, as described above.

**Selecting the New Market Segment [(Ref) Feb 21st Overview page 12, 13]**

Q36. What specific criteria must be met when the listed companies go through the “Market Selection” process? For example, what criteria must be met if a First Section Listed Company chooses Prime market?

- A. If the listed company selects the market segment which requires “Market Selection” procedure, and as of the Base Date for Transition (end of June 2021), if the company does not meet the continued listing criteria for the new market segment, then it will be required to submit the “Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other.” Same applies to the company listed on the First Section that chooses the Prime market, at the transition date (April 1, 2022) . Please also refer to from [Q42](#) to [Q44](#)..

Q37. What kind of listing examination will be performed, when the listed company chooses the market segment under the new market structure which required the initial listing criteria?

- A. In the "Same process as IPO," the same examination process as initial listing will be conducted to confirm the compliance with the initial listing criteria for each market segment.

Q38. What is the schedule for selecting a market segment that requires the same examination process as the initial listing?

- A. If the listed company wishes to move to a new market segment that requires the same examination procedure as an initial listing, at the transition date (April 1, 2022), it is necessary to apply and meet the same criteria as the initial listing during the market selection period (September to December 2021). Please take the necessary time into account, considering the time required for the examination. Applications for assignment to the First Section and market transfer under the current market structure are possible regardless of the market selection procedure period. These current rules will be revised from July 2020.

Q39. If the company selected a market segment that requires the same procedure as an initial listing, and if it does not meet the same criteria as the initial listing standard, what will happen to the company?

- A. If the same procedure as initial listing examination is not completed during the period of the market selection procedure (September to December 2021), or if it does not meet the same criteria as the initial listing criteria, instead “market selection” process must be completed by the end of the period. For example, a listed company in the Second Section chooses “Prime Market” at the beginning of the market selection process, but the examination reveals that it

does not meet the same criteria as an initial listing to the "Prime Market," the company could change the market selection to the "Standard Market." If the examination is not completed during the period of the market selection procedure, the contents of the market selection will be changed and a new application for changing the market segment after the implementation of the new market structure (April 1, 2022). The transfer process will be based on the same criteria as the screening of an initial listing under a new market segment and listing examination process may be continued after the new market structure is implemented.

**Q40. For which market segment will the notification at the end of July (whether listed companies have met the continued listing criteria of the new market segments or not) specify?**

- A. The notification to the listed company is intended to inform whether listed companies have met the continued listing criteria of the new market segments that can be selected without going through the same examination procedure as the initial listing. For example, listed companies in the First Section are notified of the status of compliance with the "Prime market" and "Standard market" listing maintenance standards. Details will be provided in the outline of the system scheduled to be announced within 2020.

**Q41. When is the reference date/base date for determining whether the listed company is meeting the continued listing criteria the transition date, and how will each criteria be calculated?**

- A. As for "tradable shares" and "number of shareholders", as of the Base Date for Transition (end of June 2021), the most recent "share distribution table" (format of the "Share Distribution Table" will change according to the revised definition of "tradable shares") . In general, the "Share Distribution Table" shows the status as of the last day of the listed company's fiscal year (if the base date of the fiscal year is different from the last day of the fiscal year, the shareholder's base date). If the "Share Distribution Table" as of the specified date after the last day of the business year is voluntarily submitted by the transition date, it will be determined based on that. In addition, in order to mitigate the effects of temporary market fluctuations, etc., the "stock price" and "trading value" will be calculated as the average value for a certain period prior to the transition base date. Details will be provided in the outline to be announced within 2020.

**Q42. What needs to be written in the "Plans to meet the level of continued listing requirements for "Tradable Share Ratio" and other requirements"?**

- A. In the "Plans to meet the level of continued listing requirements for "Tradable Share Ratio" and other requirements," the listed companies are required to state a specific plan on how to comply

with the continued listing criteria that the company does not meet. The “Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements” that the listed company submits will be publicly available after submission , and the progress of the plan, etc., after the transition to the new market structure (April 1, 2022). It is expected that the Board of Directors will also pass a resolution when determining the new market segments. For details, along with the outline scheduled to be announced in 2020, the guidelines on how to formulate the Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements” will be published.

**Q43. If the listed company does not meet the selected market segment's the criteria for “Business Performance / Financial Status”, is it required to submit a “Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements”?**

- A. The criteria for “Business Performance / Financial Status” is not part of the continued listing criteria, and therefore, even when a listed company does not meet the standards, it is not necessary to submit a “Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements.”

**Q44. What specific timing will the disclosure of the progress of the " Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements" be required?**

- A. A listed company that submits a "Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other requirements " is required to periodically disclose the progress of that plan while the grandfather rules are applied and undergoing transitional measures. Specifically, at least once a year, within three months from the end of each business year, the company is required to disclose the status on progress, Also, if there is a significant change in the plan, it is necessary to disclose the changes without delay.

**Q45. If the Board of Directors passes a resolution on market selection, is timely disclosure required? Will the TSE announce the selection results?**

- A. The fact that the Board has passes a resolution on market selection itself is not subject to timely disclosure obligations (however, when formulating a “Plans to meet the level of continued listing requirements for “Tradable Share Ratio” and other”, important decisions have been made such that will impact the investment decisions on the company, then such decisions will be subject to timely disclosure.) The results of market selection by each listed company will be published promptly (expected to be January 2022) immediately after the end of the market selection procedure period (September to December 2021). At the same time, the materials

submitted at the time of market selection application will be publicly available at TSE. Details will be published in the outline scheduled to be announced within 2020.

**Grandfathered Rules (Listing Requirements) [(Ref) Feb 21st Overview page 14]**

Q46. What is the specific period applicable for grandfather-rules which is stated “for the time being”?

- A. The transitional provisions (grandfather rules) ensure that listed companies have the necessary time to comply to the criteria for maintaining listing in new market segments. At this time, there is no clear period, but in consideration of the medium-term situation such as market selection status and compliance with continued listing criteria to be effective after the implementation of new market segment (April 1, 2022), the application of the grandfather rules will be reconsidered.

Q47. What are the specific continued listing criteria during the transitional period, grandfather rules are applied?

- A. In principle, transitional measures (grandfather rules) for the “Prime market” are at the same level as the existing rules for Reassignment to the Second section, and for the “Standard market” and “Growth market” are at the same level as the delisting criteria. Please note, the actual criteria will be adjusted, and therefore might not be the exact same as the current rules. For details, please refer to Reference Materials on page 23 (Prime market), page 25 (Standard market), and page 26 (Growth market) of “Overview of New Market Segments”.

Q48. If the company wishes to change to a different market segment after transitioning to the new market structure, while the grandfather rules are applied, what types of procedures must be applicable?

- A. If a listed company wishes to change to another market segment after transitioning to the new market structure, it will need to go through the same listing examination as the “initial listing examination” for each market segment . Therefore, for example, if a company listed on the First Section selects “Prime market” and wishes to transfer to “Standard market” during the period of transitional (while the grandfather rules are applied), then it will be examined according to the same listing criteria as initial listing on the “Standard market”.

**Planned Schedule [(Ref) Feb 21st Overview page 16]**

Q49. As the Market Structure Review rule changes proceed, will there be an opportunity to submit an opinion and/or comment to the TSE regarding initial listing standards and the definition of “Tradable Shares”?

- A. Both the outline of the rule change concerning current rule changes, and the outline of the outline of revision for new requirements for the new market segment (including the revision of the definition of tradable shares) scheduled to be announced within 2020 will be submitted for public comment.

**Revision of the Current Listing Rules [(Ref) Feb 21st Overview page 17]**

Q50. For the revision of the current rules, in addition to the initial listing criteria, will there be revision to assignment to the First Section, market transfer, etc. be subject to amendment? When is the effective date of the revision?

- A. As in the question, in addition to the current rules for the initial listing criteria, rules for assignment to the First Section, market transfer, etc. will also be subject to revision (scheduled in July 2020). When applying for an initial listing, assignment to the First Section, or market transfer, etc. after effective date, listing examination will be conducted based on the revised criteria. Application for an initial listing, etc., before effective date will be reviewed according to the criteria before the revision.

Q51. Are there any other revisions planned for the revision of the current rules other than the items listed on page 17 of "Overview of New Market Segments?"

- A. The main revisions are shown on page 17 of "Overview of New Market Segments". Details will be published in the outline for revision of the current rules. If, as a result of the public comment, a new issue arises, then necessary revisions and additions may be made to the revision of the current rules.

Q52. As part of the revision of the current rules, will the listing examination points for those companies that posted a deficit at the time of initial listing be clarified? What kind of initial listing examination will be performed for such company for initial listing to the First section, market changes and assignment to First section?

- A. Please refer to [Q15](#).

Q53. It is expected that the listing rules for the Second Section and JASDAQ Standard will be standardized. Will there be changes in the documentations for initial listing application as well?

- A. The documents to be submitted when applying for an initial listing will remain the same, until the transition to the new market segments (scheduled in April 2022). (Different application documentations will continue to be required for Second Section and JASDAQ).

Q54. After the revision of the current rules, as part of the initial listing examination to Mothers, disclosure of "Business plans and matters relating to high growth potential" will be required at the time of initial listing. Is this required to be submitted when applying for the initial listing?

- A. It is expected that the company submits "Business plans and matters relating to high growth potential" as part of the initial listing application to Mothers and be subject to a substantive review of the business plan and its disclosure.

Q55. With regards to the revision of the current listing rules, will there be revisions to reassignment to the Second section and delisting criteria, as well as the initial listing, market transfer and assignment to first section?

- A. Basically, the current rules regarding reassignment to the Second section and delisting criteria will not be revised, other than rules regarding the number of shareholders and such. Details will be provided in the outline for revision of the current rules.

Q56. Is there any change in the current standard listing examination period for each market segment following the revision of the current listing rules?

- A. There is no plan to change the standard examination period for the First Section, Second Section, and Mothers. As for JASDAQ Standard, in principle, the listing examination standard will be standardized with the Second Section, so it is assumed that the standard examination period will be the same as that of the Second Section as well.