

III J-Adviser

1 Obtaining J-Adviser Qualification

(1) Requirements for Obtaining J-Adviser Qualification

The J-Adviser system is at the core of the concept of TOKYO PRO Market, and a J-Adviser is expected to contribute to maintaining and enhancing the market functions of TOKYO PRO Market as a partner of TSE.

Also, since a supervising J-Adviser has obligations based on the J-Adviser agreement to provide appropriate advice and guidance to the applicant company or a company listed on TOKYO PRO Market (hereinafter "supervised company") continuously from initial listing application to after listing, TSE has strict requirements concerning knowledge and experience in the capital market and business operation system for a corporation that intends to acquire J-Adviser qualification.

The main requirements for obtaining J-Adviser qualification are as follows.

- (1) The applicant has sufficient experience concerning corporate finance advisory business in the two years prior to the application day for obtaining J-Adviser qualification, or falls under a case specified by the Enforcement Rules.
- (2) The applicant has at least three J-QS.
- (3) The applicant's management systems and frameworks are appropriate.
- (4) The applicant's financial condition is sound.
- (5) The applicant is committed to and capable of being a partner in operating the market of the Exchange based on a principle-basis.
- (6) The applicant has experience and knowledge concerning the Japanese capital market.
- (7) The applicant is a corporate entity structured to conduct business in a fair and efficient manner.
- (8) The applicant has appropriate systems and frameworks that enable fulfillment of the agreement prescribed in the provisions of Rule 313.
- (9) In the legal jurisdiction where the applicant conducts its business, where a supervisory authority is present, such applicant appropriately complies with the supervision of such supervisory authority.
- (10) The applicant is not likely to damage the reputation, etc. of the market of the Exchange.
- (11) The applicant does not have ties to anti-social forces.
- (12) The applicant satisfies other requirements deemed necessary by the Exchange.

(Rule 304, Paragraph 1 of the Special Regulations)

(2) Certification of J-QS

One of the J-Adviser qualification requirements, which is also one of the features of the J-Adviser system, is that the entity needs to secure more than three J-QS (Qualified Supervisor) who have sufficient experience and abundant knowledge required to conduct operations as a J-Adviser. This is based on the idea that to provide high quality services to a supervised company and exercise leadership, sufficient human resources become necessary.

J-QS is not a qualification provided to an individual. A J-Adviser individually appoints, from among its full-time officers and employees, those in charge of executing duties as a J-Adviser for a supervised company, and TSE certifies those who have eligibility. Therefore, a position or department of a J-QS at a J-Adviser may vary depending on its business operation structure and approach. In the listing application of a supervised company, the J-Adviser needs to include at least one J-QS as a supervising J-QS of the supervised company in the "Written Oath Regarding Listing Eligibility," and the supervising J-QS is expected to continue providing advice and guidance on behalf of the J-Adviser to the supervised company after listing.

For an officer or employee of a J-Adviser to receive certification as J-QS, he/she is required to satisfy the following requirements.

- (1) The person is a full-time officer or employee of a J-Adviser or an applicant for obtaining J-Adviser qualification.
- (2) The person has a total of three years of experience concerning corporate finance advisory business in the five years prior to the application day for J-QS certification.
- (3) The person sufficiently understands the work pertaining to initial listing and the overall work pertaining to fulfilling the obligations of a listed company.
- (4) The person has experience and knowledge of the Japanese capital market.
- (5) The person is a person who is deemed to be able to contribute to the development of the market of the Exchange through involvement as a J-QS.
- (6) The person is in a position to supervise the operations in which the J-Adviser is involved.
- (7) In the legal jurisdiction where the J-Adviser conducts its business, where a supervisory authority is present, the person appropriately complies with the supervision of such supervisory authority.
- (8) The person is not likely to damage the reputation, etc. of the market of the Exchange.
- (9) The person does not have ties to anti-social forces.

(Rule 309 of the Special Regulations)

(3) Application for Obtaining J-Adviser Qualification

If you consider obtaining J-Adviser qualification, please contact the New Listings Department of TSE.

2 J-Adviser Obligations

A J-Adviser is required to contribute to maintaining and improving the market functions of TOKYO PRO Market by providing advice and guidance to increase the corporate value of a supervised company, for example. Also, to a supervised company, a J-Adviser continues to be an important partner even after listing on TOKYO PRO Market. Therefore, a J-Adviser is required to continue to play a given role from the time of obtaining its qualification.

(1) Obligations to Maintain Eligibility as J-Adviser

(Obligations to Maintain Eligibility as J-Adviser)

- 1 After obtaining J-Adviser qualification, a J-Adviser must continue to satisfy the criteria enumerated in each of the items of Rule 304, Paragraph 1.
- 2 Where the Exchange deems that a J-Adviser does not satisfy the criteria enumerated in each of the items of Rule 304, Paragraph 1, it may revoke the J-Adviser qualification and take other measures in accordance with the provisions of Rule 327.
- 3 A J-Adviser must always secure sufficient J-QS and other staff to fulfill its obligations pursuant to these Special Regulations.

(Rule 306 of the Special Regulations)

A J-Adviser is required continue to satisfy the criteria after obtaining J-Adviser qualification, but since the volume of work as a J-Adviser is expected to increase as the number of supervised companies increases, it is required to secure an adequate number of J-QS and assistants depending on the number of supervised companies.

(2) Maintenance of Independence from Supervised Company

1. A J-Adviser must maintain its independence from the supervised company by complying with matters enumerated in each of the following items and taking other necessary measures. In this case, details shall be specified by the Enforcement Rules.
 - (1) The officers or employees of the J-Adviser are not concurrently officers or employees of the supervised company.
 - (2) The J-Adviser has no conflict of interest with the supervised company and maintains sufficient systems and frameworks within the company and the group to avoid a conflict of interest with the supervised company.
2. A J-Adviser may provide services other than those as a J-Adviser to its supervised company or a company which such supervised company controls or has ties with, as long as there is no conflict of interest concerning fulfillment of the J-Adviser obligations specified in this chapter.

(Rule 312 of the Special Regulations)

While a J-Adviser investigates and confirms whether a supervised company fulfills listing eligibility requirements, a J-Adviser is required to provide advice and guidance in various situations. Thus, a J-Adviser needs to maintain independence from a supervised company and establish a system that allows a J-Adviser to act without conflict of interest with a supervised company by building an appropriate firewall inside the company, for example.

(3) Obligations at the Time of Initial Listing Application

A J-Adviser must investigate and confirm whether an entity it supervises, which intends to make an initial listing application, satisfies the listing eligibility requirements prescribed in Rule 113, and whether such entity is able to fulfill the obligations prescribed in Part 2, Chapter 2. Thereafter, the J-Adviser must prepare the "Written Oath Regarding Listing Eligibility" and the "Matters to Note When Preparing Written Oath Regarding Listing Eligibility" pursuant to the provisions of the Enforcement Rules and submit them together to the Exchange.

(Rule 314 of the Special Regulations)

A J-Adviser shall give advice to an initial listing applicant that it supervises on the fulfillment of obligations of an initial listing applicant prescribed in Part 2, Chapter 2 and carry out work related to initial listing in accordance with the provisions of the same chapter.

(Rule 315 of the Special Regulations)

In the listing application of a supervised company, the J-Adviser is required to show that the scope of investigation and confirmation stipulated by TSE has been fulfilled by preparing, as the supervising J-Adviser, the "Written Oath Regarding Listing Eligibility" and the "Matters to Note When Preparing Written Oath Regarding Listing Eligibility" based on the results of investigation and confirmation of listing eligibility of the supervised company. A J-Adviser is also required to carry out the necessary work in the listing process from expression of intent of listing application to listing, such as interviews with the supervising J-QS and submission of required documents, while providing advice to the supervised company on the implementation of procedures necessary for listing application and documents to be prepared.

(4) Obligations after Listing

1. A J-Adviser must investigate and confirm whether its supervised listed company is able to appropriately fulfill the obligations pursuant to the provisions of Part 2, Chapter 3.
2. A J-Adviser must appropriately give advice and guidance to make its supervised listed company to fulfill its obligations pursuant to the provisions of Part 2, Chapter 3.
3. In the case where a supervised listed company does not heed the advice or guidance of the preceding paragraph, the J-Adviser must immediately report such matter to the Exchange

and consider terminating the agreement prescribed in Rule 313.

(Rule 316 of the Special Regulations)

A J-Adviser provides advice and guidance even after listing so that the supervised company can fulfill its obligations as a listed company, such as timely disclosure, and is also required to investigate and confirm whether a supervised company continues to fulfill its obligations as a listed company from the perspective of listed company compliance. A J-Adviser needs to include the necessary items on obligations to be fulfilled by the supervised company in the J-Adviser agreement in advance and terminate the J-Adviser agreement when it determines that the supervised listed company cannot fulfill its obligations as a listed company.

A J-Adviser shall carry out the necessary work to enable its supervised listed company to fulfill its obligations prescribed in Part 2, Chapter 3.

(Rule 317 of the Special Regulations)

A J-Adviser is required to carry out the work necessary to help the supervised company fulfill its timely disclosure obligation, such as confirmation and registration to TDnet of timely disclosure materials prepared by a supervised company, and coordinate with TSE's staff in charge. A J-Adviser needs to develop a business operation system concerning timely disclosure including a cooperative framework between the supervising J-Adviser and the supervised company so that the supervised company can prepare and disclose appropriate materials when timely disclosure is required.

1. A J-Adviser shall become a liquidity provider or make efforts for its supervised listed company to secure a liquidity provider to ensure smooth trading of the listed stock, etc. issued by the supervised listed company.
2. In the case where the supervised listed company secures a liquidity provider in the preceding paragraph, the J-Adviser shall support such liquidity provider in the execution of such work.

(Rule 318 of the Special Regulations)

A company listed on TOKYO PRO Market is required to appoint a liquidity provider from among TSE trading participants to ensure smooth trading of its stock after listing. Primarily, it is the applicant company's obligation to secure a liquidity provider, but the supervising J-Adviser is required to become a liquidity provider if it satisfies requirements to become a liquidity provider or make efforts to help the supervised company find a liquidity provider.

Once the supervised company secures a liquidity provider, the supervising J-Adviser is required to support the appropriate execution of operations of the liquidity provider. The system does not stipulate specific details of the kind of support the J-Adviser should provide, but it is desirable that the J-Adviser and the liquidity provider both support the listed company in the secondary market while having appropriate communications.

A J-Adviser shall make efforts toward the widespread publication of analyst reports pertaining to its supervised listed company.

(Rule 319 of the Special Regulations)

While a company listed on TOKYO PRO Market is required to make efforts toward the regular issuance of analyst reports pertaining to the company, its J-Adviser is required to support the widespread issuance distribution of such analyst reports on the company. The system does not stipulate specific details of the kind of support the J-Adviser should provide, but the J-Adviser is required to provide support so that a securities analyst can issue analyst reports while maintaining its independence.

(5) Other Obligations

1. A J-Adviser shall notify the Exchange of an appropriate office for correspondence with the Exchange as a liaison office.
2. A J-Adviser shall appoint a person as a liaison responsible for matters concerning reports in response to inquiries from the Exchange and other correspondence by the Exchange and notify the Exchange of such person.
3. In the case where the Exchange deems it necessary to make inquiries on the status and systems of J-Adviser business, the J-Adviser must accurately report the inquiry matters immediately.
4. In the case where a J-Adviser is not sure of the application or interpretation of any provisions of the Special Regulations, it must quickly consult the Exchange.

(Rule 320 of the Special Regulations)

TSE provides support to allow J-Advisers to properly offer advice and guidance to supervised companies. In particular, for cases where a J-Adviser is not sure of the application or interpretation of the regulations concerning TOKYO PRO Market, TSE is available for prior consultation by a J-Adviser. For smooth communication with J-Advisers, TSE asks J-Advisers to set up and notify TSE of a contact point. TSE may make an inquiry regarding operations of the J-Adviser. TSE also conducts regular on-site investigations of J-Advisers that supervise any company.

A J-Adviser shall prepare appropriate records regarding content pertaining to operations it carried out as a J-Adviser including the main content of discussions with a supervised company, and the content, etc. of advice and guidance provided to a supervised company, and shall keep such records for five years from the day of carrying out such discussion, or giving such advice or guidance.

(Rule 321 of the Special Regulations)

A J-Adviser has obligations to continue to provide advice and guidance to its supervised company from the listing preparation phase to after listing. In terms of keeping a record of the fact that such obligations are properly fulfilled for a supervised company, TSE asks J-Advisers to store materials

concerning details of discussion with its supervised company as well as advice/guidance given in the listing preparation phase and after listing.

In the case where a listed company intends to change its supervising J-Adviser and enter with another J-Adviser agreement prescribed in Rule 313, such other J-Adviser shall notify the Exchange in advance and investigate and confirm whether such listed company satisfies the listing eligibility requirements prescribed in Rule 113, and whether such entity is able to fulfill the obligations prescribed in Part 2, Chapter 3. Thereafter, the J-Adviser must prepare the "Written Oath Regarding Listing Eligibility" prescribed in Rule 314 and submit it to the Exchange together with other documents deemed necessary by the Exchange promptly after the conclusion of such agreement.

(Rule 322 of the Special Regulations)

When a listed company intends to change its supervising J-Adviser for some reason, the supervising J-Adviser is required to notify TSE in advance. A new J-Adviser is required to prepare the "Written Oath Regarding Listing Eligibility" and submit it to TSE upon completion of the internal procedures required to conclude a J-Adviser agreement with the listed company. In this case, in terms of ensuring that companies listed on TOKYO PRO Market satisfy a certain level of quality, a J-Adviser is required to submit documents concerning investigation and confirmation procedures implemented for listing eligibility and results thereof.

In addition, a J-Adviser has obligations of prior reporting to TSE concerning major organizational restructuring and termination of J-Adviser agreement with a supervised company and obligations to report details of J-Adviser operations every year.

3 Cost for Registration as J-Adviser

The following fees are necessary for registration as a J-Adviser.

Fee	Amount
Initial registration fee	1 million yen (excluding tax)
Annual registration fee (Note 1)	(1) When there is no supervised company (Note 2) 200,000 yen (excluding tax)
	(2) When there is any supervised company (Note 2) Number of supervised companies × 200,000 yen (excluding tax)

(Note 1) The annual registration fee is for a period from April to March next year and should be paid by the end of April.

(Note 2) The number of supervised companies is calculated based on the number of supervised

companies as of the end of December of the previous year.