

Revisions to Listing Rules to Enhance Functions for Raising Funds through the Capital Market
(First set of revisions pertaining to cash equity market restructuring)

July 29, 2020

Tokyo Stock Exchange, Inc.

I. Purpose

As the Covid-19 outbreak severely impacts business activities and corporate performance, Tokyo Stock Exchange, Inc. (TSE) recognizes the urgent need to enhance its functions for companies to raise funds in order to facilitate a swift recovery in the Japanese economy and subsequent sustained growth while strengthening the soundness of the market.

In order to achieve this, TSE has decided to take the following actions as part of the first set of revisions pertaining to the cash equity market restructuring scheduled to be implemented in April 2022: revising the initial listing criteria, etc. to make the initial listing process smoother for companies, including those in operating deficit, and create a more conducive environment to encourage corporate value creation over the mid-to long-term after listing, and revising the delisting criteria for liabilities in excess of assets (hereinafter referred to as "excess liabilities") from the perspective of allowing listed companies that face uncertainties in their finances more flexibility in their capital policies and corporate strategies.

The procedures for existing listed companies to transition to the new market segments and their ongoing listing criteria will be announced by the end of this year under the second set of revisions pertaining to cash equity market restructuring.

(Reference Translation)

II. Outline

| Item | Description | Remarks |
|---|-------------|---|
| 1. Revisions to the Initial Listing Criteria, etc. for the Main Markets | | <p>* Looking toward the new criteria for the Standard Market (tentative), this revision is aimed at standardizing the initial listing criteria with those for JASDAQ Standard to enhance foreseeability for companies seeking an initial listing.</p> <ul style="list-style-type: none">- The criteria for transfers from Mothers and JASDAQ to the main markets will also be revised in the same way.- The delisting criteria and technical listing criteria applied to companies listed on the main markets will remain unchanged.- For companies newly listed, etc. on the main markets based on the new criteria, if their market capitalization of tradable shares or tradable share ratio falls below JPY 1 billion or 25% respectively after listing, they will be required to disclose measures to improve the situation at an early stage and the progress on such measures. |

(Reference Translation)

| Item | Description | Remarks | | | | |
|--|---|--|---|----------------------|----------------|-----------------|
| (1) Formal criteria for liquidity | - The formal criteria for liquidity will be revised as follows: | - The formats for documents to be submitted pertaining to initial listing application, etc. will, in principle, remain unchanged. *This revision is aimed at providing opportunities to list a broad range of issues that are expected to be able to offer an appropriate level of liquidity to allow general investors to trade smoothly. - Tradable shares will be redefined under the second set of revisions pertaining to cash equity market restructuring, which is scheduled to be announced by the end of this year. | | | | |
| | | | <table border="1"><thead><tr><th data-bbox="524 528 817 587"></th><th data-bbox="817 528 1128 587">After revision</th><th data-bbox="1128 528 1440 587">Before revision</th></tr></thead></table> | | After revision | Before revision |
| | | | After revision | Before revision | | |
| | No. of shareholders (Expected at the time of listing) | | At least 400 | At least 800 | | |
| | No. of tradable shares (Expected at the time of listing) | | At least 2,000 units | At least 4,000 units | | |
| Market capitalization (Expected at the time of listing) | n/a | At least JPY 2 billion | | | | |
| (Ref.) Tradable share market capitalization | At least JPY 1 billion (no change) | | | | | |

(Reference Translation)

| Item | Description | | Remarks |
|--|--|---|--|
| <p>(2) Formal criteria for governance</p> | (Expected at the time of listing) | | <p>* This revision is aimed at requiring listed companies to maintain a minimum level of availability to the public, having also considered such criteria at exchanges in other countries.</p> |
| | <p>- The formal criteria for the tradable share ratio will be revised as follows:</p> | | |
| <p>(3) Formal criteria for business performance and financial conditions</p> | <p>Tradable share ratio (Expected at the time of listing)</p> | <p>After revision</p> | <p>Before revision</p> |
| | | <p>At least 25%</p> | <p>At least 30%</p> |
| | <p>- The formal criteria for business performance and financial conditions will be revised as follows.</p> | | <p>* To provide listing opportunities to a broad range of companies, the formal criteria will be set to the same level as the current JASDAQ Standard criteria.</p> <p>- Corporate continuity and profitability (i.e., a business operates continuously and maintains a stable revenue/financial base) will continue to be checked in the substantive examination.</p> |
| | | <p>After revision</p> | |
| | <p>Business performance</p> | <p>Ordinary income in the most recent year is at least JPY 100 million.</p> | <p>Total ordinary income in the last two (2) years is at least JPY 500 million; or sales for the most recent year are at least JPY 10 billion and market capitalization on the day of listing,</p> |

(Reference Translation)

| Item | Description | | | Remarks |
|--|----------------------|--------------------------|--|--|
| | | | etc. is at least JPY 50 billion. | |
| 2. Revisions to the Criteria for Assignment to the 1st Section | Financial conditions | Net assets are positive. | Net assets are at least JPY 1 billion. | <p>* Looking toward the new criteria for the Prime Market (tentative), this revision is aimed at developing an environment that encourages companies to improve corporate value over the mid- to long-term after listing by standardizing each criterion with that for assignment to the 1st Section.</p> <ul style="list-style-type: none">- The criterion for governance (tradable share ratio of at least 35%) will remain unchanged.- For companies assigned to the 1st Section based on the new criteria, if the number of tradable shares, market capitalization of tradable shares, or tradable share ratio falls below 20,000 units, JPY 10 billion, or 35% respectively after assignment, they |

(Reference Translation)

| Item | Description | | | | Remarks | |
|--|--|---|---|---|--|--|
| <p>(1) Formal criteria for liquidity</p> | <p>- The formal criteria for liquidity will be revised as follows:</p> | | | | <p>will be required to disclose their measures to improve the situation at an early stage and the progress on such measures.</p> <p>* This revision is aimed at allowing the listing of companies that are expected to be able to offer an ample level of liquidity to allow various types of institutional investors to trade with confidence.</p> <p>- For the criterion for the number of shareholders, the level will be revised with consideration given to changes in the share ownership structure of 1st Section stocks and such criteria at exchanges in other countries.</p> <p>- The relaxed criteria applied to assignments from the 2nd Section to the 1st Section and section transfers from Mothers to the main markets will be abolished.</p> <p>- In addition, the criteria for the number of shareholders pertaining to technical listing will be revised to at least 800, and</p> | |
| | | <p>After revision (For assignment to 1st Section and such assignments at initial listing or section transfer)</p> | <p>Before revision</p> | | | |
| | | | <p>Assignment to 1st Section</p> | <p>Assignment to 1st Section at the time of initial listing</p> | | <p>Assignment to 1st Section at the time of section transfer</p> |
| | <p>No. of shareholders (Expected at the time of listing)</p> | <p>At least 800</p> | <p>At least 2,200</p> | | | <p>Either the criteria for assignment to the 1st Section or</p> |
| <p>Market capitalization of tradable shares (Expected at</p> | <p>At least JPY 10 billion</p> | <p>At least JPY 2 billion</p> | <p>n/a * For the initial listing criteria for</p> | <p>those at the time of initial listing shall be met.</p> | | |

(Reference Translation)

| Item | Description | | | | Remarks |
|---------------------------|--|-----------------------------------|---------------------------------------|--|---|
| (2) Criteria for business | the time of listing) | | | the main markets: At least JPY 1 billion | those pertaining to reassignment to the 2nd Section will be revised to less than 800. |
| | Market capitalization (Expected at the time of listing) | At least JPY 25 billion | At least JPY 4 billion | At least JPY 25 billion | |
| | Trading volume | n/a | Monthly average of at least 200 units | n/a | |
| | (Ref.) Number of tradable shares (Expected at the time of listing) | At least 20,000 units (no change) | | | |

(Reference Translation)

| Item | Description | Remarks | | | | | | | | | | | | | | | |
|--|--|---|----------------|-----------------|----------------------|-----------------------|-----------------------|------------|--|--|------------------|--|---|----------------------|--|--|---|
| performance and financial conditions a. Formal criteria | <p data-bbox="488 379 1469 464">- The formal criteria for business performance and financial conditions will be revised as follows.</p> <table border="1" data-bbox="521 475 1462 1391"><thead><tr><th data-bbox="521 475 719 528"></th><th data-bbox="719 475 1093 528">After revision</th><th data-bbox="1093 475 1462 528">Before revision</th></tr></thead><tbody><tr><td data-bbox="521 528 719 639">Business performance</td><td data-bbox="719 528 1093 639">Either A or B is met.</td><td data-bbox="1093 528 1462 639">Either A or B is met.</td></tr><tr><td data-bbox="521 639 719 855">A. Profits</td><td data-bbox="719 639 1093 855">Total ordinary income in the last two (2) years is at least JPY 2.5 billion.</td><td data-bbox="1093 639 1462 855">Total ordinary income in the last two (2) years is at least JPY 500 million.</td></tr><tr><td data-bbox="521 855 719 1230">B. Sales results</td><td data-bbox="719 855 1093 1230">Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 100 billion.</td><td data-bbox="1093 855 1462 1230">Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 50 billion.</td></tr><tr><td data-bbox="521 1230 719 1391">Financial conditions</td><td data-bbox="719 1230 1093 1391">Net assets are at least JPY 5 billion.</td><td data-bbox="1093 1230 1462 1391">Net assets are at least JPY 1 billion.</td></tr></tbody></table> | | After revision | Before revision | Business performance | Either A or B is met. | Either A or B is met. | A. Profits | Total ordinary income in the last two (2) years is at least JPY 2.5 billion. | Total ordinary income in the last two (2) years is at least JPY 500 million. | B. Sales results | Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 100 billion. | Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 50 billion. | Financial conditions | Net assets are at least JPY 5 billion. | Net assets are at least JPY 1 billion. | <p data-bbox="1503 379 2074 735">* This revision is aimed at allowing the listing of companies with stable and excellent revenue/financial base, including those with temporary deficits resulting from factors such as investments to improve corporate value over the mid-to long-term.</p> <p data-bbox="1503 751 2074 1107">- The criterion for "B. Sales results" will be set to that before the relaxed criteria that have been applied since March 2012 in response to the difficult market environment after the 2008 financial crisis and the Great East Japan Earthquake.</p> |
| | After revision | Before revision | | | | | | | | | | | | | | | |
| Business performance | Either A or B is met. | Either A or B is met. | | | | | | | | | | | | | | | |
| A. Profits | Total ordinary income in the last two (2) years is at least JPY 2.5 billion. | Total ordinary income in the last two (2) years is at least JPY 500 million. | | | | | | | | | | | | | | | |
| B. Sales results | Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 100 billion. | Sales in the most recent year are at least JPY 10 billion and market capitalization as of the listing day is at least JPY 50 billion. | | | | | | | | | | | | | | | |
| Financial conditions | Net assets are at least JPY 5 billion. | Net assets are at least JPY 1 billion. | | | | | | | | | | | | | | | |

(Reference Translation)

| Item | Description | Remarks |
|-------------------------------------|--|---|
| b. Criteria for listing examination | - In examining corporate continuity and profitability, TSE will check that the company operates its business continuously and maintains a stable and excellent revenue/financial base. | - Specifically, on top of the JPY 25 billion that is required as the minimum level of market capitalization for various types of institutional investors to trade with confidence with an ample level of liquidity, TSE will check that a company has a revenue/financial base that will enable the company to post appropriate sales or revenue after listing. - If a company run a temporary deficit resulting from investments to improve corporate value over the mid- to long-term, TSE will check details of the investments, performance of the entire company considering the investments and prospects for the revenue/financial base. It is also expected that the company discloses enough information on these points. |
| (3) Special provisions | - If the size of the public offering or secondary distribution at the time of initial listing is expected to reach at least JPY 100 billion and the | * TSE will lower the criteria for the size of the public offering or secondary |

(Reference Translation)

| Item | Description | Remarks |
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| pertaining to initial listing with a large-scale public offering or secondary distribution | company submits its plans to satisfy the criterion of the tradable share ratio (at least 35%) within five years from listing, it shall be sufficient for the tradable share ratio to be expected to reach at least 10% by the listing date. | <p>distribution to a level where the shares can be expected to be smoothly subscribed, with consideration given to the supply and demand in the market.</p> <ul style="list-style-type: none">- The initial listing criteria for the main markets, Mothers, and JASDAQ Standard (tradable share ratio of at least 25%) will also be treated in the same way.- The plan shall include specific measures to meet the criteria for tradable share ratio and other information, such as the implementation schedule. In addition, if any matter in said plans was changed after listing, the amended plans shall be submitted to TSE promptly.- Said plans shall be made available for public inspection at the time of initial listing approval and at the time of submission of the amended plans.- Listed companies subject to the application of these special provisions will be required to disclose their |

(Reference Translation)

| Item | Description | Remarks |
|--|--|---|
| (4) Special provisions pertaining to companies whose revitalization is supported by the Regional Economy Vitalization Corporation of Japan (REVIC) | - In cases where a listed company on which REVIC made a revitalization support decision was delisted and applies for initial listing on the 1st Section in a business year whose most recent business year starts within five years from said decision, the criterion for profits concerning business performance shall be considered to be met if the amount of profits is at least JPY 1.25 billion in the most recent year. | progress based on said plans at least once every business year until the tradable share ratio reaches at least 35%. * These special provisions on the criterion for profits will be established to support the swift relisting of companies to which REVIC has provided revitalization support after the revitalization process. - Special provisions will not be established for the initial listing criteria for the main markets (profit of at least JPY 100 million in the most recent year). - The special provisions will not apply to companies for which a revitalization support decision made by REVIC has been withdrawn or for which a decision to purchase the debt of the company, etc. has not been made. |
| 3. Revisions to the | | * Looking toward the new criteria for the |

(Reference Translation)

| Item | Description | Remarks |
|--|-------------|--|
| Initial Listing Criteria, etc. for Mothers | | <p>Growth Market (tentative), this revision is aimed at providing listing opportunities to various types of companies with high growth potential and improving shareholder confidence through enriching the disclosure system concerning business plans.</p> <ul style="list-style-type: none">- The criteria for section transfers from JASDAQ to Mothers will also be revised in the same way.- The delisting criteria and technical listing criteria applied to Mothers-listed companies will remain unchanged.- For companies newly listed, etc. on Mothers based on the new criteria, if their market capitalization of tradable shares or tradable share ratio falls below JPY 500 million or 25% respectively after listing, they will be required to disclose measures to improve the situation at an early stage and the progress on such measures. |

(Reference Translation)

| Item | Description | Remarks |
|---------------------------------|--|---|
| (1) Disclosure of business plan | - TSE will check whether companies can appropriately disclose "Business Plans and Matters Related to High Growth Potential" when examining the appropriateness of disclosures of corporate information, risk information, etc. | <ul style="list-style-type: none">- The initial listing criteria for governance (tradable share ratio of at least 25%) will remain unchanged.* This revision is aimed at allowing the listing of companies that appropriately disclose business plans to realize high growth potential to allow investors to make appropriate investment decisions.- Business plans and matters related to high growth potential shall include items such as business models, market environment, source of competitiveness, business plans, and risk information.- The details of business plans and matters related to high growth potential will be required to be disclosed on the listing day, and progress shall also be disclosed at least once every business year after listing. In addition, if any important changes or corrections have been made to the disclosed information, said |

(Reference Translation)

| Item | Description | Remarks | | | |
|--|--|-----------------|----------------|-----------------|--|
| <p>(2) Formal criteria for liquidity</p> | <p>- The formal criteria for liquidity will be revised as follows:</p> <table border="1" data-bbox="524 1331 1440 1385"> <tr> <td data-bbox="524 1331 817 1385"></td> <td data-bbox="817 1331 1131 1385">After revision</td> <td data-bbox="1131 1331 1440 1385">Before revision</td> </tr> </table> | | After revision | Before revision | <p>changes or corrections shall be disclosed swiftly.</p> <p>- The contents of business plans will be, the same as at present, subject to examinations pertaining to "reasonableness of business plan". TSE will clarify in "New Listing Guidebook" that said examination is not intended to check achievements and progress on short-term plans. In addition, concerning the "sponsor's letter of recommendation" submitted at the time of listing application by the lead underwriter, TSE will request to include not only information on achievements and progress on short-term plans but also matters concerning the high growth potential expected over the mid- to long-term.</p> <p>* This revision is aimed at providing listing opportunities to issues that are expected</p> |
| | After revision | Before revision | | | |

(Reference Translation)

| Item | Description | | | Remarks |
|---|--|------------------------|--------------|---|
| | No. of shareholders (Expected at the time of listing) | At least 150 | At least 200 | to be able to offer the minimum level of liquidity to allow general investors to invest. |
| No. of tradable shares (Expected at the time of listing) | At least 1,000 units | At least 2,000 units | | |
| Market capitalization (Expected at the time of listing) | n/a | At least JPY 1 billion | | |
| (Ref.) Tradable share market capitalization (Expected at the time of listing) | At least JPY 500 million (no change) | | | |
| 4. Revisions to the Initial Listing Criteria. etc., for JASDAQ Standard | | | | * Looking toward the new criteria for the Standard Market (tentative), this revision is aimed at standardizing the initial listing criteria with those for the main markets to enhance foreseeability about |

(Reference Translation)

| Item | Description | Remarks |
|------|-------------|--|
| | | <p>companies seeking an initial listing.</p> <ul style="list-style-type: none">- The criteria, etc. for section transfers to JASDAQ Standard will also be revised in the same way.- The delisting criteria and technical listing criteria applied to JASDAQ-listed companies will remain unchanged.- For companies newly listed, etc. on JASDAQ Standard based on the new criteria, if any company falls under any of the following cases after listing, it will be required to disclose measures to improve the situation at an early stage and the progress on such measures: less than 400 shareholders, less than 2,000 units of tradable shares, tradable share market capitalization below JPY 1 billion, or tradable share ratio below 25%.- The formats for documents to be submitted pertaining to initial listing application, etc. will, in principle, remain unchanged. |

(Reference Translation)

| Item | Description | Remarks | | | | | | | | | | | | |
|---|--|---|----------------------|---|--|--------------|---|---|----------------------|-----|---|------------------------|--------------------------|--|
| (1) Formal criteria for liquidity | <p>- The formal criteria for liquidity will be revised as follows:</p> <table border="1"><thead><tr><th data-bbox="524 347 763 400"></th><th data-bbox="763 347 1099 400">After revision</th><th data-bbox="1099 347 1435 400">Before revision</th></tr></thead><tbody><tr><td data-bbox="524 400 763 831">No. of shareholders (Expected at the time of listing)</td><td data-bbox="763 400 1099 831">At least 400</td><td data-bbox="1099 400 1435 831">At least 200 and at least the higher of either 1,000 units or 10% of the number of shares for public offering or secondary distribution</td></tr><tr><td data-bbox="524 831 763 1050">No. of tradable shares (Expected at the time of listing)</td><td data-bbox="763 831 1099 1050">At least 2,000 units</td><td data-bbox="1099 831 1435 1050">n/a</td></tr><tr><td data-bbox="524 1050 763 1313">Market capitalization of tradable shares (Expected at the time of listing)</td><td data-bbox="763 1050 1099 1313">At least JPY 1 billion</td><td data-bbox="1099 1050 1435 1313">At least JPY 500 million</td></tr></tbody></table> | | After revision | Before revision | No. of shareholders (Expected at the time of listing) | At least 400 | At least 200 and at least the higher of either 1,000 units or 10% of the number of shares for public offering or secondary distribution | No. of tradable shares (Expected at the time of listing) | At least 2,000 units | n/a | Market capitalization of tradable shares (Expected at the time of listing) | At least JPY 1 billion | At least JPY 500 million | <p>* This revision is aimed at providing listing opportunities to issues that are expected to be able to offer an appropriate level of liquidity to allow general investors to trade smoothly.</p> <p>- With the introduction of the formal criteria for governance, the criteria for the number of shares for public offering and secondary distribution will be abolished.</p> |
| | | | After revision | Before revision | | | | | | | | | | |
| | | No. of shareholders (Expected at the time of listing) | At least 400 | At least 200 and at least the higher of either 1,000 units or 10% of the number of shares for public offering or secondary distribution | | | | | | | | | | |
| | | No. of tradable shares (Expected at the time of listing) | At least 2,000 units | n/a | | | | | | | | | | |
| Market capitalization of tradable shares (Expected at the time of listing) | At least JPY 1 billion | At least JPY 500 million | | | | | | | | | | | | |
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(Reference Translation)

| Item | Description | Remarks | | | | | | | | | |
|---|---|--|----------------|-----------------|---|--|--|--|--------------------------|--|---|
| (2) Formal criteria for governance | <p data-bbox="492 215 1467 247">- The formal criteria for the tradable share ratio will be revised as follows:</p> <table border="1" data-bbox="526 255 1444 526"><thead><tr><th data-bbox="526 255 795 311"></th><th data-bbox="795 255 1120 311">After revision</th><th data-bbox="1120 255 1444 311">Before revision</th></tr></thead><tbody><tr><td data-bbox="526 311 795 526">Tradable share ratio (Expected at the time of listing)</td><td data-bbox="795 311 1120 526">At least 25%</td><td data-bbox="1120 311 1444 526">n/a</td></tr></tbody></table> | | After revision | Before revision | Tradable share ratio (Expected at the time of listing) | At least 25% | n/a | <p data-bbox="1512 215 2049 462">* This revision is aimed at requiring listed companies to maintain a minimum level of availability to the public, having also considered such criteria of exchanges in other countries.</p> | | | |
| | After revision | Before revision | | | | | | | | | |
| Tradable share ratio (Expected at the time of listing) | At least 25% | n/a | | | | | | | | | |
| (3) Formal criteria for business performance and financial conditions | <p data-bbox="492 646 1467 726">- The formal criteria for business performance and financial conditions will be revised as follows:</p> <table border="1" data-bbox="526 734 1444 1324"><thead><tr><th data-bbox="526 734 750 790"></th><th data-bbox="750 734 1097 790">After revision</th><th data-bbox="1097 734 1444 790">Before revision</th></tr></thead><tbody><tr><td data-bbox="526 790 750 1117">Business performance</td><td data-bbox="750 790 1097 1117">Ordinary income in the most recent year is at least JPY 100 million.</td><td data-bbox="1097 790 1444 1117">Ordinary income in the most recent year is at least JPY 100 million; or market capitalization is at least JPY 5 billion.</td></tr><tr><td data-bbox="526 1117 750 1324">Financial conditions (Expected at the time of listing)</td><td data-bbox="750 1117 1097 1324">Net assets are positive.</td><td data-bbox="1097 1117 1444 1324">Net assets are at least JPY 200 million.</td></tr></tbody></table> | | After revision | Before revision | Business performance | Ordinary income in the most recent year is at least JPY 100 million. | Ordinary income in the most recent year is at least JPY 100 million; or market capitalization is at least JPY 5 billion. | Financial conditions (Expected at the time of listing) | Net assets are positive. | Net assets are at least JPY 200 million. | <p data-bbox="1512 646 2049 726">*This revision is aimed at providing listing opportunities to a broad range of issues.</p> <p data-bbox="1512 750 2072 997">- The criteria for market capitalization for cases where ordinary income in the most recent business year is less than JPY 100 million will be abolished as there has been no such case in recent years.</p> |
| | After revision | Before revision | | | | | | | | | |
| Business performance | Ordinary income in the most recent year is at least JPY 100 million. | Ordinary income in the most recent year is at least JPY 100 million; or market capitalization is at least JPY 5 billion. | | | | | | | | | |
| Financial conditions (Expected at the time of listing) | Net assets are positive. | Net assets are at least JPY 200 million. | | | | | | | | | |

(Reference Translation)

| Item | Description | Remarks |
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| (4) Criteria for number of consecutive years of business | - A new criterion for the number of consecutive years of business will be established to require companies to have been conducting business activities with a board of directors in place for at least three (3) years before the initial listing application day. | * This revision is aimed at standardizing the criteria with those of the main markets. |
| (5) Criteria for listing examination | - The criteria for listing examination for JASDAQ Standard shall be the same as those for the main markets. | - Considering the standardization of the criteria for listing examination, the standard examination period shall be three (3) months, the same as that for the main markets. |
| (6) Application of the corporate governance code | - Listed companies shall comply with all of the principles of the corporate governance code (general principles, principles, and supplementary principles). If they do not comply, they shall explain reasons for non-compliance in their corporate governance reports. | * This revision is aimed at enhancing investor confidence by requiring companies to have a basic level of governance for sustainable growth and improvement of corporate value over the mid- to long-term. - The scope of principles to be applied to existing JASDAQ Standard-listed companies shall be redefined in the second set of revisions pertaining to cash |

(Reference Translation)

| Item | Description | Remarks |
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| | | equity market restructuring scheduled to be announced by the end of this year. |
| 5. Suspension of Initial Listings, etc. on JASDAQ Growth | - The rules pertaining to initial listing on JASDAQ Growth will be abolished. | * The rules will be abolished in light of the fact that there has been no initial listing on JASDAQ Growth since the cash equity market integration in 2013. - The rules pertaining to section transfers, etc. to JASDAQ Growth will also be abolished. |
| 6. Revision to the Delisting Criteria, etc. for Excess liabilities (1) Disclosure of improvement plan | - In the case where a listed company falls into excess liabilities at the end of the business year, it shall disclose its plan for improvement within three (3) months after the end of said business year. | * This revision is aimed at encouraging listed companies to take swift measures to make improvements after falling into excess liabilities. - Listed companies shall swiftly disclose any revisions to such plans. - Listed companies will be required to |

(Reference Translation)

| Item | Description | Remarks |
|--|---|--|
| (2) Revision to the delisting criteria, etc. | <p>- Even if a listed company falls under the delisting criteria or the criteria for reassignment to the 2nd Section for excess liabilities, if it falls under any of the following cases, the company will not be delisted nor reassigned.</p> <p>i. In the case where the market capitalization is JPY 100 billion or more (limited to listed companies that properly disclose the plan indicated in above (1))</p> <p>ii. In the case where the listed company plans to come out of excess liabilities through legal turnaround, private turnaround, or with revitalization support from REVIC</p> | <p>disclose progress on such plans at least once every quarterly accounting year.</p> <p>* This revision is aimed at not setting a limit on the period for improvements from the perspective of allowing listed companies more flexibility in capital policies and corporate strategies if they receive appropriate market valuation despite having excess liabilities or intend to come out of excess liabilities steadily according to the plan under a firm agreement with related parties, such as a legal turnaround or private turnaround.</p> <p>- With regard to market capitalization indicated in i., the average value during the period of three (3) months prior to the end of the business year shall be used.</p> <p>- With regard to ii., it will be targeted at companies that release their restructuring plan based on legal turnaround, private turnaround, or revitalization support from REVIC within three (3) months after the</p> |

(Reference Translation)

| Item | Description | Remarks |
|---|---|--|
| (3) Revision to handling of designation of securities under supervision | - In the case where TSE deems that a listed company is likely to fall under the delisting criteria for excess liabilities, TSE may designate the stock of the company as securities under supervision (confirmation). | end of the grace period pertaining to delisting in the case of delisting criteria, or after the end of the business year when falling into excess liabilities in the case of criteria for reassignment to the 2nd Section. * This revision is aimed at allowing TSE to appropriately issue alerts concerning possible delistings to investors. - Under the current rules, TSE designates a stock as a security under supervision (confirmation) when the listed company has announced a situation that falls under the delisting criteria for excess liabilities. - For example, if a listed company has disclosed that it is unlikely to come out of excess liabilities during the grace period or if it does not disclose by the last day of the grace period that it will certainly come out of excess liabilities, TSE will make it public by designating the stock as a security |

(Reference Translation)

| Item | Description | Remarks |
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| | | under supervision (confirmation) on the day of such disclosure or the day following said last day respectively. |
| 7. Others (1) Revisions to documents to be submitted for implementing corporate action, etc. | - Some of the documents that are required to be submitted in conjunction with listed companies' corporate action, etc. will no longer be required in principle, including security listing application forms at the time of issuing new stocks through, among others, public offering and capital increase by third-party allotment. | * Up until now, TSE, in principle, requires listed companies to submit an additional listing application each time they issue more of the same classification of stock, etc. as listed stock, etc. This revision is aimed at reducing the burden on listed companies, by ways including no longer requiring application procedures for every issuance in an overall review of the document submissions, which considered changes in the circumstances, such as the firm establishment of dematerialized stock certificates, and the administrative burden on listed companies. - In addition to security listing application forms, this revision also covers security alteration listing application forms, notices of resolution of the board of directors on |

(Reference Translation)

| Item | Description | Remarks |
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| (2) Revision to the delisting criteria in the case of false statements in the initial listing application documents | - If it has become clear that a listed company has been listed based on a false statement in its initial listing application documents, without which it would otherwise have not met the initial listing criteria, unless the company meets the listing eligibility criteria equivalent to those for initial listing examination within one (1) year, TSE will delist the company. | account settlement, copies of notice of effectiveness of securities registration statement, summaries and other documents. - Issuers of listed real estate investment trust securities will, in principle, no longer be required to submit such documents as currently required at the time of issuing new investment units, etc. * Up until now, TSE has listed cases "where a listed company has committed a material breach as to matters taken on oath in the Written Oath" as a type of "breach of listing agreement, etc.", which is a cause for delisting. Even for cases that did not fall under the above, TSE has taken other measures such as designating the stock of a company as a security on alert based on the need to improve the internal management system and such reasons. As such, this revision is aimed at enhancing trust in the financial instruments exchange |

(Reference Translation)

| Item | Description | Remarks |
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| | | <p>market among investors by swiftly re-examining the listing eligibility of companies that were listed based on false statements.</p> <ul style="list-style-type: none">- Specifically, examination will be conducted for the cases where material deficiencies are found in the internal management system, etc., or it becomes clear that the formal criteria for business performance, etc. was not satisfied, even for cases that do not fall under those warranting an immediate delisting.- Securities subject to such examination will be excluded from the scope of designation as securities on alert.- The current Rule 315-8 of the Securities Listing Regulation will be applied to cases where it has become clear that the company would have not met the criteria without false statements in the documents submitted when applying for assignment to the 1st Section or section |

(Reference Translation)

| Item | Description | Remarks |
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| (3) Clarification of matters to be examined in the securities on alert system | - TSE will clarify that "progress of improvement plan for preventing recurrence" will be taken into consideration in the examination of "expected improvement" pertaining to listed companies whose stock is designated as a security on alert. | transfer. * In light of the situation that the practice of requesting listed companies whose stock is designated as a security on alert to disclose their improvement plans for preventing recurrence and the progress thereof has become well-established, this revision is aimed at clarifying the focus points of the examination for delisting from the perspective of increasing the transparency of examination work. - In consideration of progress, TSE will check "existence of a reasonable plan that is expected to achieve effective improvements within the improvement period" and "reasons for noncompletion in the case where there are some unachieved items in progress of improvement plan", etc. - For example, TSE will deem that improvement of the internal management |

(Reference Translation)

| Item | Description | Remarks |
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| (4) Encouraging registration of information with J-IRISS | - In order to develop the framework to prevent insider trading, etc., TSE will stipulate in the matters desired to be observed under the code of corporate conduct that listed Japanese companies shall make efforts to use J-IRISS (meaning Japan-Insider Registration & Identification Support System operated by Japan Securities Dealers Association). | system, etc. is not expected to be made in such cases where there is no reasonable revision of improvement plan to achieve effective improvements within the improvement period despite that the progress of such plan has been significantly delayed. |
| (5) Enhancement and rationalization of timely disclosure regarding ETFs and ETNs | | |
| a. Disclosure of material deviation | - In the case where material deviation has occurred or is likely to occur between the net asset value per unit of ETF or the redemption value per security of ETN and the market price or specified underlying indicator, the | * This revision is aimed at requesting the disclosure of information in a timely and appropriate manner so that investors can |

(Reference Translation)

| Item | Description | Remarks | | | | | | | | | | | | |
|--|--|-----------------|---|--|---|------------------------------|---|--|--|--|---|--|---|---|
| <p>b. Facilitating smooth circulation and fair price formation</p> <p>c. Revision of daily disclosure</p> <p>i. ETF</p> <table border="1" data-bbox="524 798 1424 1391"> <thead> <tr> <th data-bbox="524 798 972 850">After Revision</th> <th data-bbox="972 798 1424 850">Before Revision</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="524 850 1424 959">Details of the securities portfolio necessary to acquire beneficiary certificates for additional trusts (no change)</td> </tr> <tr> <td data-bbox="524 959 972 1011">—</td> <td data-bbox="972 959 1424 1011">Number of beneficiary rights</td> </tr> <tr> <td colspan="2" data-bbox="524 1011 1424 1121">Total net assets and net asset value per unit (no change)</td> </tr> <tr> <td data-bbox="524 1121 972 1342"><u>The tracking performance between the net asset value per unit and the specified indicator</u></td> <td data-bbox="972 1121 1424 1342"><u>The deviation rate pertaining to the net asset value per unit and the fluctuation rate of the specified indicator</u></td> </tr> <tr> <td colspan="2" data-bbox="524 1342 1424 1391">Other matters deemed necessary by TSE (no change)</td> </tr> </tbody> </table> | After Revision | Before Revision | Details of the securities portfolio necessary to acquire beneficiary certificates for additional trusts (no change) | | — | Number of beneficiary rights | Total net assets and net asset value per unit (no change) | | <u>The tracking performance between the net asset value per unit and the specified indicator</u> | <u>The deviation rate pertaining to the net asset value per unit and the fluctuation rate of the specified indicator</u> | Other matters deemed necessary by TSE (no change) | | <p>ETF management company or ETN issuer shall disclose to that effect in a timely manner.</p> <p>- ETF management companies and ETN issuers shall make efforts to provide investors with information in a proactive and satisfactory manner, which contributes toward maintaining smooth circulation and fair price formation for ETFs and ETNS.</p> <p>- The disclosure method for daily disclosure by ETF management companies and ETN issuers shall be implemented in a more flexible manner.</p> <p>- The matters to be disclosed on a daily basis shall be revised as follows.</p> | <p>understand the risk accurately and make appropriate investment decisions.</p> <p>* This revision is aimed at encouraging the proactive provision of information on portfolio securities held by ETF and indicative net asset value (indicative NAV) during trading hours.</p> <p>* This revision is aimed at deeming information disclosure via the website of the management company or other means instead of the Timely Disclosure Network (TDnet) system as sufficient so as to encourage the provision of information in a manner that is more user-friendly for investors (including graph, data files).</p> <p>- ETF management companies and ETN issuers shall file the disclosure method with TSE in advance. TSE will make a list of such filed disclosure methods available on its website.</p> <p>- Disclosure on "tracking performance between the net asset value per unit and</p> |
| After Revision | Before Revision | | | | | | | | | | | | | |
| Details of the securities portfolio necessary to acquire beneficiary certificates for additional trusts (no change) | | | | | | | | | | | | | | |
| — | Number of beneficiary rights | | | | | | | | | | | | | |
| Total net assets and net asset value per unit (no change) | | | | | | | | | | | | | | |
| <u>The tracking performance between the net asset value per unit and the specified indicator</u> | <u>The deviation rate pertaining to the net asset value per unit and the fluctuation rate of the specified indicator</u> | | | | | | | | | | | | | |
| Other matters deemed necessary by TSE (no change) | | | | | | | | | | | | | | |

(Reference Translation)

| Item | Description | Remarks | | | |
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| (6) Others | ii. ETN | the specified indicator" may be made, for example, in a manner equivalent to method of display involving "an indicator representing the tracking ratio between the fluctuation of the base value and the fluctuation of the underlying indicator (meaning the underlying indicator prescribed in Article 19, Paragraph 2 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Order of the Prime Minister's Office No. 129 of 2000))" prescribed in Rule 3, Paragraph 1, Item 1 (ii) of the Rules on Investment Reports, etc. pertaining to Investment Trusts and Investment Corporations ¹ established by The Investment Trusts Association, Japan. | | | |
| | <table border="1"><thead><tr><th data-bbox="528 316 952 368">After Revision</th><th data-bbox="952 316 1424 368">Before Revision</th></tr></thead></table> | | After Revision | Before Revision | — |
| | After Revision | | Before Revision | | |
| | Total remaining redemption value and redemption value per security (no change) | | Number of beneficiary rights | | |
| | <u>The tracking performance between the redemption value per security and the specified indicator</u> | | <u>The deviation rate pertaining to the redemption value per security and the fluctuation ratio of the specified indicator</u> | | |
| | Other matters deemed necessary by TSE (no change) | | | | |
| - Other necessary revisions will be made. | | | | | |

¹The name of the regulation and its provisions are tentative translations by JPX.

III. Implementation Date (tentative)

- These revisions will be implemented on November 1, 2020.
- Item 1 will apply to companies that apply on or after the implementation date for initial listing, etc. on the main markets.
- Item 2 will apply to companies that apply on or after the implementation date for assignment, etc. to the 1st Section.
- Item 3 will apply to companies that apply on or after the implementation date for initial listing, etc. on Mothers.
- Item 4 will apply to companies that apply on or after the implementation date for initial listing, etc. on JASDAQ Standard.
- Item 6 (1) and (2) will apply to companies that fall into excess liabilities at the end of the business year ending on or after the implementation date.
- Item 7 (2) will apply to companies that apply on or after the implementation date for initial listing.