

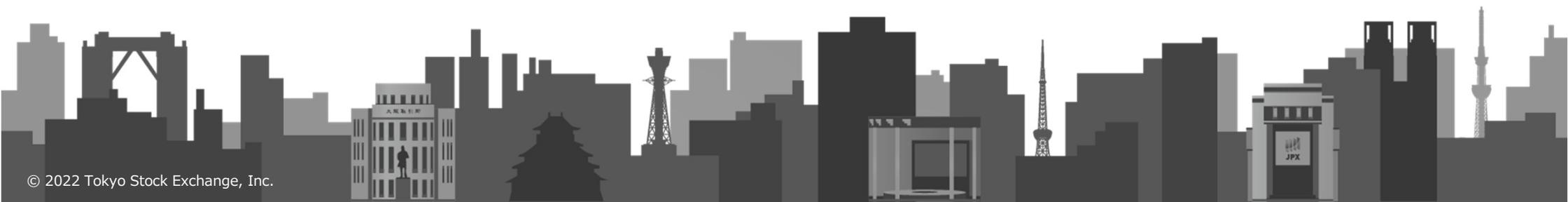


Overview of Revisions to IPOs, etc.

Exchange & beyond

Tokyo Stock Exchange, Inc.

December 2022



- As we see diversification of the characteristics and needs of start-ups looking to be listed for the first time, TSE is conducting rule revisions to diversify the ways that companies can carry out initial listings, partially based on matters set out in the “Grand Design and Action Plan for a New Form of Capitalism” compiled by the Japanese government (approved by the Cabinet on June 7, 2022).

Disclaimer: This English translation is for reference purposes only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

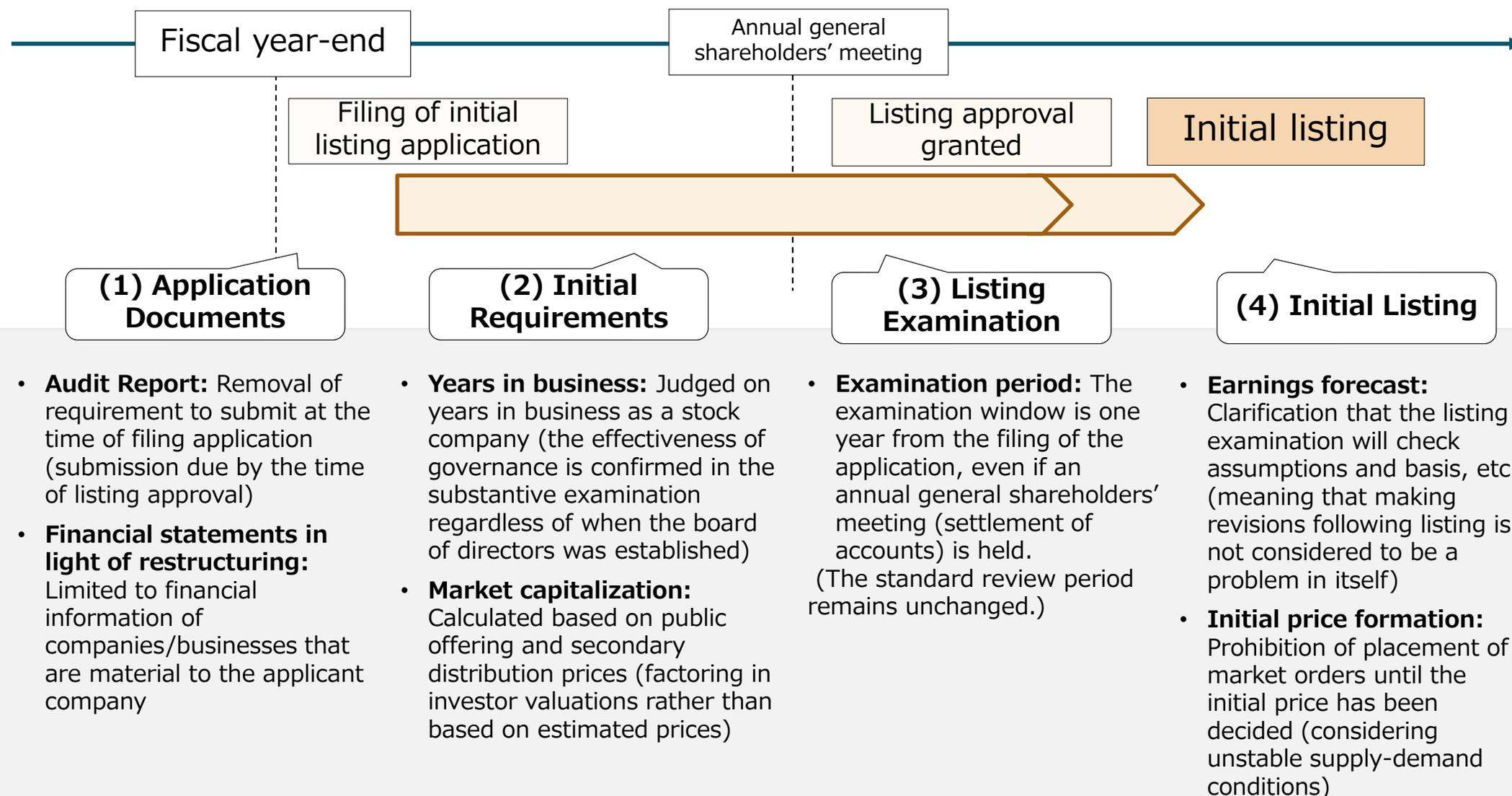
1. Listing Examination in line with Corporate Characteristics (Deep Tech)

- It is difficult to relatively measure the corporate value of companies focused on research and development (deep-tech companies), whose aim is to cultivate new markets using new technologies in cutting edge fields such as space, materials, and healthcare, as they are still in the process of developing technology and creating their business models.
- TSE aims to carry out smooth listing examinations in the Growth Market by utilizing investment evaluations from institutional investors in the examination of reasonableness of business plans. (This will be clarified in the New Listing Guidebook together with points for disclosure.)

	Outline
Eligible companies	<ul style="list-style-type: none">• Companies need to be an appropriate company size before listing as a result of financing from institutional investors (those that are capable of good judgment and are expected to continue their investment in the medium to long term after listing).• Institutional investors need to provide large-scale funding at the time of listing. (For example, a pre-listing fundraising amount of JPY 10 billion or more and market capitalization of JPY 100 billion or more)
Content of examination	<ul style="list-style-type: none">• The reasonableness of business plans is examined based on institutional investors' evaluations of the business model, business environment, and other factors.• Where necessary, the views of experts, clients (potential customers), and regulatory bodies supplement the examination's evaluation process.
Required disclosure	<ul style="list-style-type: none">• Given that it is difficult to measure the corporate value, disclosure regarding business plans and high growth potential is expanded.<ul style="list-style-type: none">➤ business model, competitive advantages, and details of investment activities including R&D activities➤ Future investment plans (the period and scale of up-front investment, and approach to decision-making on investment continuity or change in investment policies consistent with business progress) and expected results of investment➤ Market size (including forecasts)➤ Risk information (including the possible impact of actualized risks on growth achievement and execution of business plans)

2. Smooth Listing Process

- Various procedures between the filing of the initial listing application and the listing itself will be made more flexible for applicants (changes also made in line with the Japan Securities Dealers Association's "Review of the Public Offering Price Setting Process").



3. Direct Listing and Revisions to Net Asset Criteria

- In light of the diversifying needs of start-ups (use of direct listing and proactive M&As and investment following listing), revisions will be carried out to increase the flexibility of management (corporate actions) following initial listings.

Direct Listing

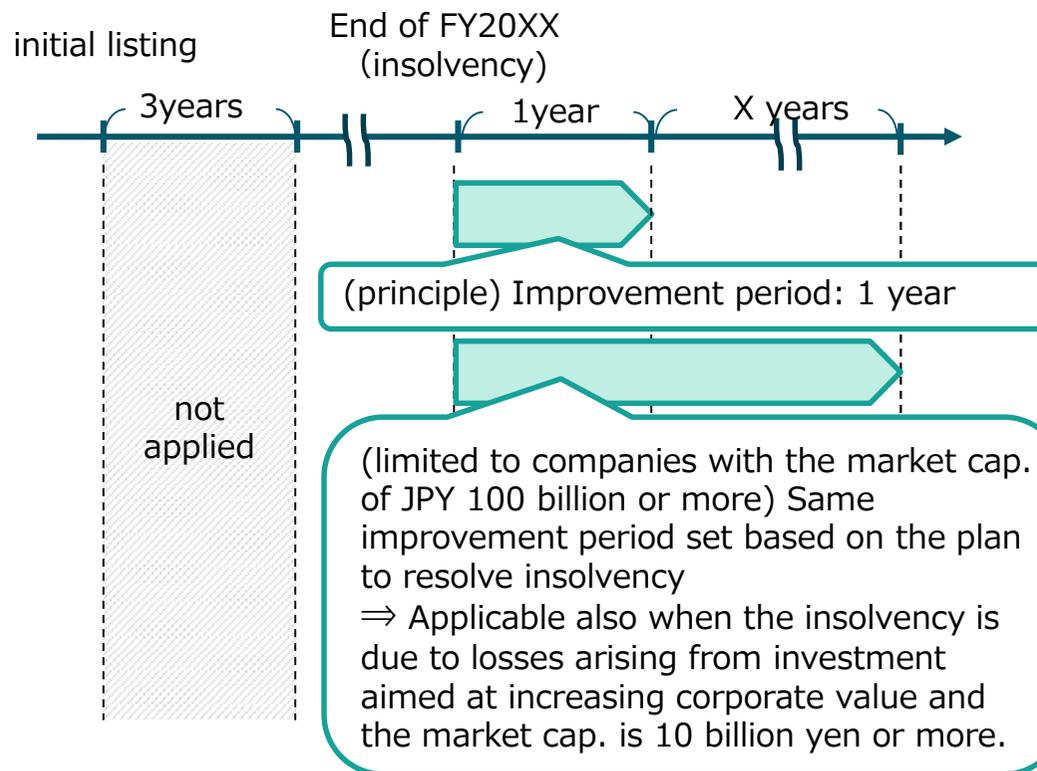
- Introduction of direct listings to the Growth Market, given that they are used by large-scale start-ups with high name recognition overseas.(currently allowed in the Prime and Standard Markets)

	Outline
Content	<ul style="list-style-type: none"> ● A Public offering at the time of initial listing is not required of companies with a market capitalization of JPY 25 billion or more.
Notes	<ul style="list-style-type: none"> ● TSE makes it known that price formation after listing may be unstable. ● A managing trading participant of an initial listing applicant is required to confirm its measures to ensure liquidity and to submit tradable share reference prices. ● An initial listing applicant is required to submit the Annual Securities Report before the initial listing.

Revision of Continued Listing Criteria for net assets

- Relaxation of Growth Market Continued Listing Criteria for net assets to allow more flexibility to implement corporate actions such as M&As.

(Growth Market Continued Listing Criteria)



Date	Rule Revisions	Operational Revisions
December 16, 2022	<ul style="list-style-type: none">• Publication of outline of revisions (Public comment period until January 20)	<ul style="list-style-type: none">• Updates to the New Listing Guidebook (Deep Tech, etc.)
March 2023	<ul style="list-style-type: none">• Enforcement of amended rules	<ul style="list-style-type: none">• Updates to the New Listing Guidebook (related to rule revisions)