(Provisional Reference Translation)

Rules concerning Trading Participants' Listing Eligibility Examination Systems, etc.

(as of February 28, 2025)

Tokyo Stock Exchange, Inc.

Chapter 1
General Provisions

Rule 1. Purpose

1. In accordance with the provisions of Rule 22-4 of the Trading Participant Regulations, these Rules shall prescribe the necessary matters concerning listing eligibility examination systems, etc. developed by trading participants.
2. The purpose of the development of the listing eligibility examination systems, etc. as described in the preceding paragraph is to ensure that managing trading participants, etc., in their capacity as trading participants of the Exchange, maintain and enhance the level of examinations on the eligibility for listing on the Exchange market and examinations on the rationality of capital increase or issuance of investment units (hereinafter referred to as "capital increase, etc.") by establishing internal rules and regulations and implementing any other necessary measures, thereby ensuring confidence in the Exchange and its trading participants and contributing to the public interest and the protection of investors.

Rule 2. Definitions

The definitions of the terms used in these Rules shall be as prescribed by the Securities Listing Regulations (hereinafter referred to as the "Listing Regulations"), except as otherwise provided by these Rules.

Chapter 2
Listing Eligibility Examination Systems

Rule 3. Implementation of Listing Eligibility Examination

1. Managing trading participants shall examine whether or not an entity, which either intends to file or has filed an initial listing application for securities referred to in each of the following items, and its corporate group are likely to meet the requirements or criteria provided for in each of such items.

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(1) Stocks, etc. for which an application for initial listing on the Standard Market is to be filed (excluding stocks, etc. to which the provisions for technical listing are to be applied)

Requirements described in each item of Rule 207, Paragraph 1 of the Listing Regulations

(2) Stocks, etc. for which an application for initial listing on the Prime Market is to be filed (excluding stocks, etc. to which the provisions for technical listing are to be applied)

Requirements described in each item of Rule 213, Paragraph 1 of the Listing Regulations

(3) Stocks, etc. for which an application for initial listing on the Growth Market is to be filed (excluding stocks, etc. to which the provisions for technical listing are to be applied)

Requirements described in each item of Rule 219, Paragraph 1 of the Listing Regulations

(4) Foreign corporate bonds other than guaranteed foreign corporate bonds (excluding foreign corporate bonds to which the provisions of Rule 904, Paragraph 3 of the Listing Regulations are to be applied)

Criteria set forth in Rule 904, Paragraph 2, Item 1 of the Listing Regulations

(5) Guaranteed foreign corporate bonds (excluding guaranteed foreign corporate bonds to which the provisions of Rule 904, Paragraph 3 of the Listing Regulations are to be applied)

Criteria set forth in Rule 904, Paragraph 2, Item 2 of the Listing Regulations

(6) Foreign government bonds, etc.

Criteria set forth in Rule 905 of the Listing Regulations

(7) Real estate investment trust securities

Requirements described in each item of Rule 1206, Paragraph 1 of the Listing Regulations

(8) Venture fund

Requirements described in each item of Rule 1306, Paragraph 1 of the Listing Regulations

(9) Country fund

Requirements described in each item of Rule 1406, Paragraph 1 of the Listing Regulations

(10) Infrastructure fund

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Requirements described in each item of Rule 1506, Paragraph 1 of the Listing Regulations

2. Managing trading participants shall examine whether or not an entity, which either intends to file or has filed an application for transferring the market segment of securities referred to in each of the following items, and its corporate group are likely to meet the requirements provided for in each of the following items; provided, however, that a managing trading participant may decide not to conduct said examination on an entity which either intends to file or has filed an application for transferring the market segment of securities referred to in Item 1.

(1) Stocks, etc., for which an application for transferring the market segment to the Standard Market is to be filed;

Requirements described in each item of Rule 207, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 308, Paragraph 1 of the same regulation.

(2) Stocks, etc., for which an application for transferring the market segment to the Prime Market is to be filed;

Requirements described in each item of Rule 213, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 308, Paragraph 2 of the same regulation.

(3) Stocks, etc., for which an application for transferring the market segment to the Growth Market is to be filed;

Requirements described in each item of Rule 219, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 308, Paragraph 3 of the same regulation.

3. Managing trading participants shall examine whether or not a listed company referred to in each of the following items and its corporate group meet the requirements provided for in each of the following items when the listed company either intends to file or has filed an application for examination related to transfer of the market segment in case of absorption-type merger, etc. (meaning the application for examination pursuant to the provisions of Rule 310, Paragraph 1 of the Listing Regulations) or an application for examination of whether or not its listed security conforms to criteria equivalent to the initial listing criteria in the case of an inappropriate merger, etc. (meaning the application for examination pursuant to the provisions of Rule 603, Paragraph 2 of the Listing Regulations).

(1) Companies listed on the Standard Market

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Requirements described in each item of Rule 207, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 311, Paragraph 6 of the Enforcement Rules for Securities Listing Regulations (hereinafter referred to as the "Enforcement Rules for Listing Regulations") or Rule 601, Paragraph 5, Item 6 of the Enforcement Rules for Listing Regulations

(2) Companies listed on the Prime Market

Requirements described in each item of Rule 213, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 311, Paragraph 6 of the Enforcement Rules for Listing Regulations or Rule 601, Paragraph 5, Item 6 of the Enforcement Rules for Listing Regulations.

(3) Companies listed on the Growth Market

Requirements described in each item of Rule 219, Paragraph 1 of the Listing Regulations, as applied mutatis mutandis pursuant to the provisions of Rule 311, Paragraph 6 of the Enforcement Rules for Listing Regulations or Rule 601, Paragraph 5, Item 6 of the Enforcement Rules for Listing Regulations.

Rule 4. Seeking the Opinion of an Auditor

Managing trading participants shall seek the opinion of a certified public accountant or other person undertaking the audit certification, etc. of the financial statements or interim financial statements of the person who is subject to the listing eligibility examination (meaning the examination provided for under each paragraph of the preceding rule; the same shall apply hereinafter).

Rule 5. Action in Response to Change of Managing Trading Participant, etc.

If a managing trading participant becomes aware that any of the facts enumerated in each of the items below apply to the person who is intending to file an initial listing application (referring to the application provided for under each paragraph of Rule 3; the same shall apply hereinafter), the said participant shall verify the reasons therefor and shall give due consideration to the compatibility of these circumstances with listing; provided, however that Item 3 is only applicable when an initial listing application provided for under Rule 3, Paragraph 1. is to be filed or has been filed.

(1) Change of managing trading participant due to be designated

(2) Change of certified public accountant selected or due to be designated to undertake audit certification of financial statements or interim financial statements, etc.

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(3) Change of financial instruments exchange, etc. with which initial listing application was due to be filed

Rule 6. Creation and Keeping of Internal Records

When conducting listing eligibility examinations in respect of a person who has filed an initial listing application, etc., the managing trading participant is required to create internal records of the matters enumerated in each of the following items and to keep such records, together with the documents and information on the basis of which the records are created for a period of 5 years from the date on which the initial listing application, etc. is filed.

(1) Documents and information collected during the course of the listing eligibility examination (limited to documents and information judged to have an impact on the results of the listing eligibility examination) and records of the details of analysis and evaluation of the said documents and information

(2) Records of the result formation process pertaining to the listing eligibility examination

Rule 7. Monitoring Corporate Developments Up to Listing Date, etc.

When an initial listing application, etc. has been filed, for the period from the time of filing of the initial listing application, etc. to the date of listing, etc., (meaning initial listing date for a case where the initial listing application provided for under Rule 3, Paragraph 1 is filed, date of transferring the market segment for a case where an application for transferring the market segment provided for under Rule 3, Paragraph 2 is filed, and a date when the requirements provided for under each item of Rule 3, Paragraph 3 are confirmed to be applicable when an application for examination provided for under Rule 3, Paragraph 3 is filed) a managing trading participant shall notify the Exchange without delay of any developments that are deemed likely to have an impact on the results of the listing eligibility examination.

Rule 8. Ensuring Independence of Listing Eligibility Examination

A managing trading participant shall establish organizational systems which meet each of the following items; provided, however, that this requirement shall not be applicable if the Exchange deems that the managing trading participant has already essentially established structures that allow the formation of an independent opinion during the course of the listing eligibility examination.

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(1) The managing trading participant shall establish a department responsible for the listing eligibility examination (hereinafter referred to as the "listing eligibility examination department").

(2) Persons attached to the listing eligibility examination department who are responsible for carrying out listing eligibility examinations shall not be permitted to undertake business promotion work for attracting new listing candidates nor provide guidance to persons applying for initial listings.

(3) Directors with responsibility for the listing eligibility examination department shall be prohibited from holding responsibility for divisions that undertake business promotion work nor provide guidance on listing.

Rule 9. Establishment of Internal Regulations

Managing trading participants shall draw up internal regulations setting out matters necessary for the implementation of listing eligibility examination and the formation of independent opinions by the listing eligibility examination department.

Rule 10. Implementation of Internal Inspections

Managing trading participants shall carry out internal inspections of compliance with these internal regulations at regular intervals, and implement any other measures necessary to ensure the efficacy of the internal regulations described in the preceding rule.

Chapter 3
Systems for Examination on Rationality of Capital Increase, etc.

Rule 11. Examination on Rationality of Capital Increase, etc.

1. A trading participant that examines the rationality of capital increase as prescribed in Rule 304, Paragraph 1, Item 2, Sub-item a. of the Securities Listing Regulations (hereinafter referred to as "examining trading participant" in this paragraph) shall conduct a strict examination of an entity, that intends to make or has made an application for listing of subscription warrant securities, or its corporate group with regard to matters referred to in each of the following items from the perspective of (i) whether the listed company can satisfy the expectations of investors in the future, (ii) whether such capital increase is appropriate as fund raising in the capital market, and (iii) whether the listed company discloses corporate information appropriately.

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(1) Eligibility

Whether it falls under anti-social forces or has any relationships with such forces

(2) Financial position and business performance

a. Soundness of financial position and cash flow situation

b. Analysis of reasons for changes in financial position and business performance

c. State of achieving announced profit plans

(3) Outlook for business performance

a. Appropriateness of the basis for formulating profit plans

b. State of progress on profit plans

c. Surplus dividends and policy on such dividends

(4) Purpose of fund raising

a. Appropriateness of the purpose of fund raising

b. Appropriate disclosure on the purpose of fund raising

c. Allocation of funds raised in the past

(5) Trends in stock price, etc.

a. Stock price trend

b. Trading volume trend

c. Appropriateness of issuance volume in light of liquidity, including stock price

(6) Appropriate disclosure of corporate information, etc.

a. Appropriateness of the content and expressions used in disclosure on corporate information such as business risk, adequacy of scope of disclosure, and adequacy of its scope

b. Appropriate disclosure on the state of such matters since the end of the most recent business year

(7) Other matters deemed necessary by the examining trading participant.

2. A trading participant that examines the rationality of issuance of investment units as prescribed in Rule 1211, Paragraph 1, Item 2, Sub-item a. and Rule 1511, Paragraph 1, Item 2, Sub-item a. (hereinafter referred to as "examining trading participant" in this paragraph) shall conduct a strict examination of an entity that intends to make or has made an application for listing of new investment unit subscription warrant securities in light of matters referred to in each of the following items from the perspective of (i) whether the listed investment corporation can satisfy the expectations of investors in the future, (ii) whether such new issuance is appropriate as fund raising in the capital market, and (iii) whether the issuer of listed real estate investment trust securities, etc. discloses corporate information appropriately:

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(1) Eligibility

Whether it falls under anti-social forces or has any relationships with such forces

(2) Investment policy on properties to be included and appropriateness of such properties

a. Investment policy

b. Properties to be included

c. Acquisition price and reasons for acquisition

(3) Outlook for earnings of the investment corporation and properties

a. Financial position and asset management performance

b. Appropriateness of the basis for formulating profit plans

c. Growth and stability

d. State of achieving announced profit plans

(4) Appropriate disclosure and purpose of fund raising

a. Appropriateness of the content and expressions used in disclosure on the state of the fund, information on properties, investment risk, etc., as well as adequacy of its scope

b. Appropriate disclosure on the purpose of fund raising

c. Allocation of funds raised in the past

d. Appropriate disclosure on the state of such matters since the end of the most recent business year

(5) Trends in price, etc.

a. Price trend of investment securities

b. Trading volume trend of investment securities

c. Appropriateness of issuance volume in light of the liquidity of the investment securities

(6) Other matters deemed necessary by the examining trading participant.

3. A trading participant that examines the rationality of issuance of investment units as prescribed in Rule 1310-2, Paragraph 1, Item 2, Sub-item a. (hereinafter referred to as the "examining trading participant" in this paragraph) shall conduct a strict examination of an entity that intends to make or has made an application for listing of new investment unit subscription warrant securities in light of matters referred to in each of the following items from the perspective of (i) whether the listed investment corporation can satisfy the expectations of investors in the future, (ii) whether such new issuance is appropriate as fund raising in the capital market, and (iii) whether the listed venture fund issuer and manager disclose corporate information appropriately:

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(1) Eligibility

Whether it falls under anti-social forces or has any relationships with such forces

(2) Whether the investee fits with the investment policy

a. Investment policy

b. Investigation results (at the time of investment and most recently) on the investee by the asset management company

c. Acquisition price and reasons for acquisition

(3) Outlook for the investment corporation's business continuity

a. Soundness of financial position and cash flow situation

b. Method of formulating spending plans

c. Growth potential and stability

(4) Appropriate disclosure and usage of raised funds

a. Appropriateness of the content and expressions used in disclosure on the state of the fund, information on investments, investment risk, etc., as well as adequacy of its scope

b. Appropriate disclosure on the usage of raised funds

c. Allocation of funds raised in the past

d. Appropriate disclosure on the state of such matters since the end of the most recent business year

(5) Trends in price, etc.

a. Price trend of investment securities

b. Trading volume trend of investment securities

c. Appropriateness of issuance volume in light of the liquidity of the investment securities

(6) Other matters deemed necessary by the examining trading participant.

Rule 12. Creation and Storage of Internal Records

When examining the rationality of capital increase by a listing applicant, an examining trading participant (meaning trading participants prescribed in Paragraphs 1 and 2 of the preceding rule; the same shall apply hereinafter) shall create internal records referred to in each of the following items and store such records and its underlying documents and information for five (5) years from the listing application day.

(1) Records of documents and information collected in examining the rationality of capital increase, etc. (limited to those deemed to have an impact on the result of an

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examination on capital increase, etc.), as well as analysis and assessment of such documents and information.

(2) Records on the process of formation of the result of an examination on capital increase, etc.

Rule 13. Ensuring the Independence of Examinations on Rationality of Capital Increase, etc.

An examining trading participant shall develop an organizational structure that satisfies each of the following items; provided, however, that this shall not apply if the Exchange deems that the examining trading participant has substantially developed a structure that enables it to form opinions from an independent perspective for examinations on the rationality of capital increase, etc.

(1) The examining trading participant shall establish a division to conduct examinations on the rationality of capital increase, etc. (hereinafter referred to as "the rationality examination division").

(2) Persons who examine the rationality of capital increase, etc. in the rationality examination division shall not engage in promotional or marketing activities to attract potential listing companies, etc. or advisory activities for entities that make an application for listing.

(3) Members of the board of directors or executive officers who are responsible for the rationality examination division shall not be in charge of divisions that conduct listing promotion or marketing activities, or listing advisory activities.

Rule 14. Establishment of Internal Rules, etc.

An examining trading participant shall establish internal rules, etc. that prescribe matters necessary for examinations on the rationality of capital increase, etc. and the formation of independent opinions by the rationality examination division.

Rule 15. Internal Inspections

An examining trading participant shall regularly conduct internal inspections on compliance with the internal rules, etc. referred to in the preceding rule and implement other necessary measures, thereby ensuring the effectiveness of such rules, etc.

Supplementary Provisions

1. The revised rules shall be implemented on January 15, 2024.

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2. The provisions of the revised Rule 3 shall apply to listing eligibility examination on entities that will file an application for a segment transfer on and after the implementation day of the revised rules.

Supplementary Provisions

These revisions shall take effect on February 28, 2025.

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