

Revisions to Listing Rules for Subscription Warrant Securities

September 3, 2014

Tokyo Stock Exchange, Inc.

I. Purpose

Rules and regulations for rights offerings have been developed quickly in response to strong calls from the investor community after a series of capital increases that resulted in significant dilutions. Recently, while we observe an increase in the number of rights offerings in Japan, critics have also highlighted cases of companies, that are unable to use the conventional method of raising funds, using rights offerings to newly issue a large number of shares without a third party evaluating whether such financing activity was reasonable. This has led to concerns that rights offerings of such nature could undermine the interests of existing shareholders.

After consulting the Advisory Group Improvements to the TSE Listing System, TSE released the recommendations of the advisory group in "Toward Encouraging Rights Offerings in Japan" (*) in July this year. The advisory group recommends that listings of subscription warrant securities not subject to an evaluation process be required to pass an examination equivalent to an underwriting examination by a securities company or obtain approval from its shareholders. In addition, the issuer should be required to satisfy certain performance criteria.

TSE will revise the listing criteria for subscription warrant securities to incorporate the above recommendations into the listing rules and make other necessary amendments.

(*) TSE website: <http://www.tse.or.jp/listing/seibi/discussion.html> (in Japanese only)

II. Outline

Items	Contents	Remarks
1. Revision to Listing Criteria for Subscription	- In addition to the existing listing criteria, listings of subscription warrant securities (limited to those pertaining to	* Rights offerings that do not have underwriters committed to unexercised portions are known as

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Warrant Securities	non-commitment-type rights offerings) shall satisfy the criteria in the following (1) and (2).	<p>non-commitment-type rights offerings.</p> <p>- The existing listing criteria are as follows:</p> <p>(1) The subscription warrant securities are issued by a gratis allotment of subscription warrants;</p> <p>(2) The exercise period expires within two (2) months of the record date, etc. of the allotment;</p> <p>(3) It has not been judged that the distribution status, etc. after listing is significantly unsatisfactory;</p> <p>(4) The number of the subscription warrant securities is not less than 2,000 units;</p> <p>(5) The subscription warrants are eligible for handling by a designated book-entry transfer institution in its book-entry transfer operation or it is expected that they will become so eligible by the time of listing; and</p> <p>(6) The listing is not deemed inappropriate from the perspective of the public interest or investor protection.</p>
(1) Criteria on evaluating whether the capital increase is reasonable	- Issuance shall involve either of the processes in the following i. and ii.:	* This revision introduces a process to justify a capital increase in the same way as a public offering and a commitment-type rights offering.

Items	Contents	Remarks
2. Others	- The listing date of subscription warrant securities shall be on or after the first day of the exercise period.	* Subscription warrant securities are listed after the start of the exercise period to facilitate smooth price formation with arbitrage trading, which will be less constrained by difficulties in the lending and borrowing of the underlying stock.

III. Implementation Date (Scheduled)

These rules will be implemented in October 2014 with the exception of 2., which will be implemented from the day the partial amendments to the Companies Act (Act No. 90 of 2014) come into effect.