

(Reference Translation)

Improvements to Listing Rules for Enhancing Confidence in and Stimulation of Mothers

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Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange (TSE) established Mothers in 1999 as a market for growing companies with the aim of facilitating the nurturing of new industries in Japan by providing a venue for emerging corporations to raise funds for growth. However, the misconduct, etc. of some listed companies has led TSE and Financial Services Agency to enhance investor protection measures such as implementing more stringent listing examination criteria, quarterly reporting based on the Financial Instruments and Exchange Act, as well as the internal control report system. Despite these efforts, several cases of false statements being made in the financial statements since before gaining a listing have been discovered in 2010. These developments have led to a loss of confidence in Mothers and a lack of new listing activity in the market.

In order to maintain the sustained growth of the Japanese economy, the market for emerging companies needs to fulfill the function of nurturing new industries through providing growing companies with fund-raising opportunities and providing investors with attractive investment options. The Japanese government has also recently indicated its intent to proceed with a broad “Study of Policies for Restoring Confidence in and Stimulation of Markets for Growing Companies” in the “New Growth Strategy” based on the cabinet decision in June 2010.

In light of this situation, TSE will equip the market for emerging companies to fulfill its fundamental functions of providing growing companies with fund-raising opportunities, in addition to increasing the reliability of Mothers through strengthening collaboration with market-related parties for enhancing the effectiveness of listing examination. TSE will therefore implement measures in the listing rules aimed at stimulating the Mothers market, such as appropriate adjustment of the examination standpoint and the examination period as well as increasing the possibility of awareness of such standpoint and period.

In addition to these measures, TSE will review the delisting date pertaining to acts of organizational restructuring to allow a company to remain listed in light of occurrences of cases of terminating organizational restructuring contracts after a general shareholders meeting resolution, and make other necessary amendments and adjustments to the listing rules.

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II. Outline

Items	Contents	Remarks
<p>1. Measures to increase the reliability of the Mothers market</p> <p>(1) Measures to increase the reliability of financial statements</p> <p>(2) Strengthen collaboration with market-related parties to enhance effectiveness of listing examination</p>	<p>- With regard to applicants for an initial listing on Mothers, financial statements, etc. described in the “Securities Report for Initial Listing Application” shall be required to be audited by a Listed Company Audit Firm (meaning an audit firm that is registered in the registry of listed company audit firms based on the Registration System for Listed Company Audit Firms of the Japanese Institute of Certified Public Accountants (hereafter “JICPA”); the same shall apply hereinafter).</p> <p>- Upon receiving an application for an initial listing on Mothers, TSE will notify persons who submitted written recommendations pertaining to initial listings as a managing trading participant to that effect in the last three years.</p> <p>- In cases where a trading participant who receives this notification has information which is or is likely to have a significant impact on the decision on the suitability for listing an initial listing applicant, such trading participant shall immediately report details of the information to TSE.</p>	<p>- Excluding listed company audit firms which are deemed unsuitable by TSE.</p> <p>- In conjunction with this, TSE will request JICPA to further strengthen and appropriately operate the Registration System for Listed Company Audit Firms as well as its Quality Control Review System.</p> <p>- Mothers-listed companies will also be required to be audited by a Listed Company Audit Firm (including associate registered audit firms).</p> <p>- The same shall apply to initial listing applicants and listed companies on the main markets.</p> <p>- The contents of notifications are expected to be the initial listing applicant’s trade name, location of head office, etc.</p> <p>- Trading participants must not divulge to others the content of the notifications or use it outside of its intended purpose.</p> <p>- TSE will also give similar notifications to major audit corporations, and request to provide information which is or is likely to have a significant impact on the decision on the suitability for listing.</p> <p>- If TSE receives information, other than utilizing such information in the listing examination, TSE will share this information with the lead managing securities company, accounting auditor, as well as financial bureau of such initial listing applicant, and request to collaborate</p>

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<p>(3) Measures to clarify the market concept</p> <p>① Review Mothers delisting criteria</p> <p>② Establish a process to check suitability with the market concept</p>	<p>- With regard to Mothers-listed companies which have been listed for more than ten (10) years, the delisting criteria equivalent to that for the main markets shall apply.</p> <p>- Mothers-listed companies which have been listed for more than ten (10) years will submit an application form to choose to either remain listed on Mothers or alter its listing market to the Second Section. If a company chooses to remain listed on Mothers, it will be required to attach a written confirmation pertaining to its possibility of high growth prepared by the managing trading participant to the application form. However, if such company's market capitalization is JPY 4 billion or more, such written confirmation will not need to be attached.</p>	<p>with them.</p> <p>- The same shall apply to the main markets.</p> <p>* In light of Mothers being a market for corporations in their growth stage, the delisting criteria is less stringent than those of the main markets (in terms of the criteria for the number of shareholders, number of tradable shares, market capitalization of tradable shares, market capitalization). This provision is intended to bring companies which have been listed for more than ten (10) years in line with the normal standard.</p> <p>- With regard to companies already listed on Mothers on the implementation date of this revision to the delisting criteria, this provision shall be applied three years from such implementation date.</p> <p>- The same shall apply every five (5) years elapsing thereafter.</p> <p>- If a company has entered or will enter the grace period for delisting, it will be submit such application form after exiting the grace period.</p> <p>- If a company alters its listed market to the Second Section, TSE will not conduct an examination of alteration of a listed market.</p> <p>- With regard to companies already listed on Mothers on the implementation date of establishing this process, this provision shall be applied three years from such implementation date.</p>

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<p>2. Measures to stimulate Mothers</p> <p>(1) Introduce listing examination methods in line with the market concept</p> <p>(2) Measures to increase the efficiency of the listing examination process</p> <p>① Review the submission period of the “written recommendation”</p> <p>② Set a standard listing examination period</p>	<p>- In an examination of the “reasonableness of the business plan”, a Mothers listing examination item, TSE will check that a corresponding reasonable business plan has been developed, and that the business base required to achieve such business plan is in place.</p> <p>- With regard to the “written recommendation” requested to be submitted by managing trading participants when applying for an initial listing on Mothers, it shall be considered sufficient to submit it by the time when TSE approves the corresponding listing.</p> <p>- TSE will strive to complete listing examinations of applications for initial listing on Mothers within two months from receiving such application.</p>	<p>* This provision is intended to 1) clarify that good business performance forecast immediately after listing is not a requirement, and 2) change in the evaluation method to one where TSE evaluates the possibility of achieving business plans from a long-term perspective.</p> <p>- With regard to the business base required to achieve the business plan (personnel resources, facilities, funds, etc.), a reasonable forecast that is fixed after listing will be considered sufficient.</p> <p>* The intent is for the TSE to conduct listing examinations in parallel with the managing trading participant’s examinations, thereby shortening the examination period.</p> <p>- The same shall apply to the main markets.</p> <p>* This is intended to increase initial listing applicants’ possibility of awareness of the period required for a listing examination.</p>
<p>3. Other</p> <p>(1) Review delisting date pertaining to</p>	<p>- In cases of a delisting due to a listed company undergoing organizational restructuring, such as a merger, the delisting date of</p>	<p>* In light of occurrences of cases where organizational restructuring contracts are terminated after a general</p>

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<p>organizational restructuring</p> <p>(2) Establish a new system of reporting pertaining to corporate information based on request from other exchanges</p> <p>(3) Review disclosure pertaining to ETF deviation rate</p> <p>(4) Other</p>	<p>such listed company will be the day that is three days (excluding non-business days) prior to the effective date.</p> <p>- In cases where TSE, for the purpose of ensuring fair trading, etc. of securities, make an inquiry on developments leading up to an announcement of corporate information based on requests from other exchanges for information provision, the listed company will promptly report such developments to TSE.</p> <p>- With regard to daily disclosure pertaining to the deviation rate of the net asset value per unit of an ETF from the closing value of the underlying indicator, TSE will change the method of disclosure from one where the deviation rate from the closing price is disclosed to one where the deviation rate from the fluctuation rate of the closing price is disclosed.</p> <p>- TSE will make other necessary amendments and adjustments to the listing rules.</p>	<p>shareholders meeting resolution, this review is intended to allow a company to remain listed in such cases.</p> <p>- The cases where TSE will make an inquiry will be limited to cases where such inquiry from other financial instruments exchanges is deemed reasonable by TSE (based on the premise of mutual cooperation with such other exchanges).</p> <p>* This review is intended at adopting a more appropriate disclosure method in light of recent listings of ETFs which are created with net asset value per unit set at a deviation level to the absolute value of an underlying indicator.</p>

III. Implementation Schedule

- The listing rules will be implemented in March 2011.
- Revisions related to handling of listing examinations mentioned in 1. (1), 1. (2), and 2. will apply to persons who apply for initial listing on or after the implementation date.
- With regard to Mothers-listed companies as of the implementation date for measures to clarify the market concept mentioned in 1. (3), such measures shall apply after 3 years from such date.