Summary of Initiatives to Invigorate IPOs by Medium/Small-Sized Companies

Current State of Japanese Economy

Unprecedented severe economic conditions

- ✓ Structural problems of aging society, stagnant domestic demand with shrinking population, and prolonged deflation, etc.
- ✓A string of negative factors in 2011 with the Great East Japan Earthquake, floodwaters in Thailand, and persistent yen strength coinciding with the euro-zone crisis

TSE's Approach Cultivate new industries

✓ Cultivate venture companies

*Mothers market
(implemented in Mar. 2011)

Revitalize existing industries

✓ Revitalize medium/small-sized companies that have great importance in the Japanese economy as a large source of employment, etc.

Support initiatives to develop technology, expand overseas, etc.

* Main market (scheduled for Mar. 2012)

Revise listing examination considering economic conditions, etc.

- ✓ "Amount of profit": Determine based on business profitability itself and criteria which does not assume increasing profitability.
- ✓ "Corporate profitability":

 Companies which can be expected to have stable earnings after listing can be listed (refer to page 2).
- ✓ "Amount of net assets": Determine based on financial condition at the time of listing.
- ✓ "Market capitalization" when listing directly on 1st Section: Ease criteria in light of recent market conditions (from "50 billion yen or more" to "25 billion yen or more").

- ✓ Standard examination period: Set a standard period of 3 months. Also provide an examination schedule to improve applicant foresight on prospective listing period.
- ✓ Simplify submission documents for companies which have unlisted parent companies, etc.: Simplify content of documents to that equivalent to timely disclosure after listing.
- ✓ Flexible handling of reorganization before listing: Ease criteria for submitting documents when conducting mergers, etc. before applying.

Streamline assignment to 1st Section

- ✓ **Standard examination period:** Same as that at left.
- ✓ Streamlining examination of recently listed companies: Simplify examination to center around situation after listing.
- ✓ **Revise "trading volume" criteria:**Determine based period immediately before application.
- ✓ **Preliminary applications:** Allow in the same way as new listing applications.

Enhance dissemination of IPO information

- ✓ Publish candidates for lead managing securities company: Provide a list of securities companies which can smoothly execute lead manager operations of newly listed companies on the TSE homepage.
- ✓ **Seminars, etc. on IPOs:** Actively hold seminars, etc. nationwide.

Details of Approach

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Reference: Revisions to Listing Examination regarding Corporate Profitability

		Item		Before	After	Remarks
	1. "Amount of profits or market capitalization" (Formal requirements)	Amount of profits	Type of profit	Ordinary profit and net income before taxes	Ordinary profit	Allows companies which could not meet the criteria due to extraordinary loss arising from an accidental event to be eligible for qualitative examination.
			Period and level	Satisfy any of the following: - 100 million yen or more with respect to the first year (of the last two (2) years) and 400 million yen or more with respect to the most recent year; or - 100 million yen or more with respect to the first year (of the last three (3) years), 400 million yen or more with respect to the most recent year, and the total amount of profits in the last three (3) years shall be 600 million yen or more	Total amount of 500 million yen or more in the last two (2) years	Allows companies which could not meet the criteria due to short-term deterioration in business performance to be eligible for qualitative examination.
		Market capitalization * Special measures for cases where amount of profits cannot be met		100 billion yen or more	50 billion yen or more	Reflects recent market conditions.
	2. "Corporate continuity and profitability" (Qualitative examination)	Outlook on profit/loss and revenue/expenditure		Check that outlook is good before and after listing * Downward trend is not acceptable.	Check that the company can have stable earnings after listing * Downward trend is also acceptable.	Aimed at listing companies that can have stable earnings without over-emphasis on short-term business performance.

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