

Rejection of applications for listing and cancellation of previously approved applications

Mothers will reject or withdraw its approval of a listing application if the applicant infringes the “Pre-filing regulation of public offerings and secondary offerings”, even if the applicant meets the listing requirements described earlier.

In the case of a private unlisted company applying for listing, if the applicant has issued new shares through a third-party share allocation since the last day of the second latest fiscal year, those shares must be held for a specific period. Mothers will not accept listing applications from companies who have not complied with this regulation.

The aim of this regulation is to prevent individuals with access to information such as the listing schedule from making a profit in a short term.

The following is an outline of this regulation.

< Extent of application >

This regulation applies to all listing applicants except for the following:

- (a) Issuers of shares listed on other domestic stock exchanges
- (b) Foreign companies
- (c) Issuers of domestic shares that are listed and continuously traded on stock exchanges or over-the-counter markets outside Japan
- (d) Listing applicants taking over a business from companies that are listed on the TSE or fall into the categories (a) to (c) above, through a jinteki spin-off, and file a listing application before such jinteki spin-off.
- (e) Listing applicants that are regulated under Article 4, Section 5 or Article 6, Section 4 of the listing requirements (Regulation of listing application by issuers of shares that are subject to delisting due to merger, share exchange, share transfer)

1. Regulations of share issuance through the allocation to third parties

- (1) If an applicant has issued shares, stipulated as in the Companies Act, article 199, paragraph 1, since the last day of the latest fiscal year by offering them to shareholders, or by other methods that TSE considers inappropriate, (hereafter “the allocations to third parties”, including disposition of own shares as substitute for new share issuance), the listing applicant must make a written agreement with the relevant shareholders to ensure the following and submit the agreement

to the TSE: that the shareholders will continue to hold the shares until at least six months passed from the day listing; takes place; that the company will file a report with the TSE whenever the shares are transferred and whenever the TSE inquires about their ownership status; that they will make the agreement and the contents of the reports available for public inspection; and that they will comply with any other directives that the TSE may considers necessary. The issuance of new share is deemed to be effective by the last stock permanent date.

- (2) Shareholders that are allocated new shares through the allocations to third parties must be the current shareholders, in line with the agreement described in (1) above. An exemption from this rule is granted, however, when shareholders allocated shares via the allocations to third parties have transferred the relevant shares to others because of extremely poor business performance on the part of shareholders, or because of circumstances that would be generally accepted by society as having made such an action unavoidable.
- (3) Listing applicants must report the current holdings of shareholders who were allocated new shares through the allocations to third parties to the TSE when the TSE inquires about their current holdings.

2. Regulations of issuance and exercise of subscription warrant through third-party share allocations

- (1) If an applicant has, through the allocations to third parties, subscription warrant (hereafter “warrants”, excluding warrants as stock options, including own subscription warrants which has the same effect as the allocation of the subscription warrant) or redeemed these warrants for shares since the last day of the latest fiscal year, the applicant must make a written agreement with the holders of the securities concerned to ensure the following and submit the agreement to the TSE: that the holders will continue to hold the subscription warrants or shares acquired through their exercise until at least six months from the day on which listing takes place; that the company will file a report with the TSE whenever the subscription warrants or shares are transferred and whenever the TSE inquires about their ownership status; that they will make the agreement and the contents of the reports available for public inspection; and that they will comply with any other directives that the TSE considers necessary. The validation of any warrant issuance is deemed to be the payment date (When warrants are issued without charge, it will be the date of issue.).
- (2) Those who are allocated subscription warrants through the allocations to third parties, or those who have acquired shares through the exercise of the warrants, must be the current holders, in line with the agreement described in (1) above. An exemption from this rule is granted, however, when subscription warrant holders allocated warrants via the allocations to third parties, or shareholders who have acquired shares, have transferred the relevant warrants or shares to others because of extremely poor business performance on the part of those holders, or because of circumstances that would be generally accepted by society as having made such an action unavoidable.
- (3) Applicants must report the current holdings of subscription warrant holders who were allocated the subscription warrant through the allocations to third parties, or shareholders who have acquired shares through the exercise of the subscription warrant, to the TSE when the TSE inquires about their current holdings.

3. Regulations of issuance and exercise of subscription warrant as stock options

- (1) If an applicant has issued subscription warrants as compensation to its executives and employees or those of its subsidiaries, (“executives or employees”), since the last day of the last fiscal year, the applicant must make a written agreement with the executives or employees to ensure the following and submit the agreement to the TSE: that the executives or employees will continuously hold the subscription warrants or shares that were acquired through the exercise of the subscription warrants; that the company will file a report with the TSE whenever the subscription warrants or shares are transferred and whenever the TSE inquires about their ownership status; and that they will comply with any other directives that the TSE considers necessary. Such subscription warrants must meet the following requirements:
 - a. The applicant issued the subscription warrants to its executives and employees.
 - b. The applicant has made a written agreement with the executives or employees to whom it has issued, as described in (a) above, the subscription warrants, in order to ensure the following: that the officers and employees will continue to hold the relevant subscription warrants until the date before listing; that the company will file a report with the TSE whenever the subscription warrants are transferred and whenever the TSE inquires about their ownership status; and that they will comply with any other directives that the TSE considers necessary.
- (2) Officers or employees who have received subscription warrants as stock options from the applicant must be the current holders, in line with the agreement described in (1) above. An exemption from this rule is granted, however, if the applicant has taken appropriate steps to void warrants that subscription warrant holders specified in the agreement have transferred to others, and if these warrants have not been exercised.
- (3) Applicants must report the current holdings of subscription warrant holders who were allocated the warrants as stock options, or shareholders who have acquired shares through the exercise of the warrants, to the TSE when the TSE inquires about their current holdings.