

Delisting Criteria

Mothers' Delisting Criteria define various standards companies must meet to maintain their listings, such as standards that are designed to maintain liquidity levels on a par with the 1st and 2nd sections and rid the market of firms with weak business models.

The following is an outline of the key Delisting Criteria. (The criteria described here are applied to companies in Japanese jurisdiction listed on Mothers.).

1. The average monthly trading volume in the past year has been less than 10 trading units or there have been no trades in the last three months. (Delisting Criteria, Article 2, Paragraph 1, Item 3)

2. The number of shareholders has been less than 150 and the number of shareholders has failed to exceed 150 within one year. (Delisting Criteria, Article 2.2, Paragraph 1, Item 1)

Note 1: The "number of shareholders" is calculated after excluding stock held by officers and the top ten shareholders. Treasury stock on the last day of the business year is also excluded.

Note 2: "One year" is the one-year period from the day after the last day of the business year in which it was observed that the number of shareholders was fewer than 150.

3. Liabilities have been in excess of assets at the consolidated and nonconsolidated fiscal year-end and remained with excessive liabilities until the end of the following fiscal year. (Excluding when liabilities have been in excess of assets during the fiscal years ending in the first three years of listing) (Delisting Criteria, Article 2.2, Paragraph 1, Item 2)

Start-ups or companies at the early stage of executing their business models may have negative net worth at the time of their initial listing on. Therefore, the first two consolidated and nonconsolidated fiscal years immediately after listing are regarded as a grace period, which are not considered, thus making it a total of five years in which to decide whether a listed company falls into the above criterion or not.

4. The total sales revenues have been less than JPY 100 million in the past year and no current profits have been reported. However, this rule does not apply to the fiscal year in which the company applied for listing. (Delisting Criteria, Article 2.2, Paragraph 1, Item 3)

Sales revenues and current profits will be those reported in the company's consolidated income statement. However, if the company is not required to make a consolidated income statement, the figures in its (unconsolidated) income statement will be used.

Because start-ups or companies at the early stage of executing their business models may have sales revenues of less than JPY 100 million at the time of their initial listing, the rule disregards the sales revenues for the business year in which the listing application was made.

5. Market capitalization has been less than JPY 500 million and has failed to exceed JPY 500 million within the grace period, or market capitalisation is less than the amount that is a multiple of the number of shares listed and remains so within the next three months. (Delisting Criteria, Article 2.2, Paragraph 1, Item 4)

A company's market capitalization will be judged to be less than JPY 500 million when its market capitalization based on the average daily closing price during the past month or its market capitalization on the last day of the month is below JPY 500 million.

The company's market capitalization will only be judged to have exceeded JPY 500 million when both its market capitalization based on the average daily closing price during the past month and its market capitalization on the last day of the month have exceeded JPY 500 million.

The grace period is nine months from the date on which market capitalization dropped below JPY 500 million. However, where the company fails to submit an Improvement Plan (document containing information on the current state and future outlook for the business, business improvement plans the TSE deems necessary) to the TSE within three months of this date, the grace period will be for three months..

The situation, in which market capitalization is less than the amount that is a multiple of the number of shares listed, is, effectively, where the share price is less than JPY 2. Failure for the share price to exceed JPY 2 within the next three months will be subject to delisting.

6. Other (Delisting Criteria, Article 2, Items 5 to 13)

Suspension of business transactions with banks, bankruptcy, reorganization procedures, rehabilitation procedures or liquidation, suspension of business activities, improper merger etc., late submission of securities reports etc., falsified financial statements etc., breach of listing agreement, restrictions on share transfers, becoming a wholly-owned subsidiary, suspension of services by the designated custody and transfer agent, and any other reason deemed necessary to protect the interests of the public or investors.
