

Market Transfers

Companies wishing to move from Mothers to the 1st or 2nd sections can apply to do so. If they meet the listing criteria of the relevant section, the move will be approved.

Companies that wish to apply to change the market on which their shares are listed must submit an official TSE application form: “Market Transfer Application Form”. (Rules, Article 12.2, Paragraphs 1 to 3)

1 Required Documents

When a company applies to list on the 1st or 2nd section, it must submit the “Market Transfer Application Form” along with supporting documentation. If the applicant is a domestic company, the following documents must be submitted:

Required documentation at a glance:

1. Market Transfer Application Form
2. Minutes of the board meeting that approved the application
3. Securities Report for Market Transfer Application (Part I)
Note: The Securities Report for Market Transfer Application (Part I) should be that filed for the last full fiscal year preceding the application. (Rule Treatment 15. (1) b)
4. Securities Report for Market Transfer Application (Part II)
5. Letter of the lead underwriter confirming the applicant has no ties with anti-social parties
6. Letter of recommendation from the applicant’s lead underwriter
7. Copy of the applicant’s internal rules
8. Information on the distribution of share ownership
9. Letter of the promise to reduce the value of share-trading units
10. Letter of the oath for market transfer application
11. Information on the prerequisite for the main business
12. Copies of audit reports for the last two years (Please attach these to the Securities Report for Market Transfer Application (Part I).)

13. For companies that have been involved in mergers, consolidated and nonconsolidated financial statements for the last two business years. (This documentation is only necessary for applicants or applicants' subsidiaries that have been involved in mergers in the last two years. In addition, the applicant does not need to submit information contained in the Securities Report for Market Transfer Application (Part I) or supporting documents, or other documentation that this exchange has deemed unnecessary.)
14. Copies of the financial statements of consolidated subsidiaries for the last five years. (These only need to be submitted for subsidiaries in which the company held a 10% stake, either directly or via other affiliated companies, as of the last business year.)
15. Copies of consolidated financial statements for the last five years. (These only need to be submitted if the company has produced consolidated financial statements in the last five years. Consolidated financial statements already included in the Securities Report for Market Transfer Application (Part I) also do not need to be submitted.)
16. Copies of amended registration statement, amended shelf registration statement, and amended securities report for the past three years and this business year.
17. Company profile and catalogues

<Where an applicant applies for transfer to the 1st section>

- Trading volume report as stipulated in Regulations for Transferring Listed Securities to the 1st Section (when applying the 2.(2) a. below)

2 Market Transfer Examination

(1) About the examination

Applications made by companies wishing to move from Mothers to the 1st or 2nd section will be examined according to the same criteria as applications to list on the section concerned.

However, if the applicant has demonstrated a good record on information disclosure while listed on Mothers, this will be taken into account during the examination process (Examination Treatment, 10. (3)). In fact, an application will

only be reviewed if the applicant has a proven track record of disclosing company-related information.

(2) Designated market

As a rule, companies leaving Mothers are moved to the 2nd section. However, companies meeting any of the following criteria can move directly to the 1st section.

(a) In case of fitting the criteria for the 1st section

Listed share-trading units, average monthly trading volume, the distribution of share ownership, market capitalization, audit opinion and so on will be fitted to the criteria for the 1st section

(b) In case of large numbers of share-trading units and wide distribution of share ownership

The number of share-trading units listed is projected to exceed 10,000 units and market capitalization is projected to exceed JPY 50 billion before market transfer. And the distribution of share ownership will be fitted to the criteria for the 1st section

Note 1: An applicant needs to have met the criterion concerning the number of shares to be listed, by the day when its transfer takes place.

Note 2: An applicant needs to have met the criteria concerning the liquidity of its shares on the most recent date on which it determined the shareholders eligible for voting at an annual general meeting. However, when the applicant has made public offering of its newly issued shares or outstanding shares, or, alternatively, share distribution limiting the number of shares to be bought by each party involved in such distribution, since such most recent date, and reports the results of such public offering or share distribution to TSE in the TSE-designated format written statement, TSE takes into account the reduced number of shares held by its beneficial owners as well as the increased number of shareholders, as a result of any of the aforementioned actions.

Note 3: In assessing whether an applicant meets the criterion concerning the trading volume, which requires the average monthly trading volume at TSE of more than 200 trading units, in each of the first and the last three months of the most recent six months, 'the last three months of the most recent six months' is calculated from the last day of the month at which the most recent business year is ended. However, when the transfer takes place in more than nine month of the first day of the month immediately following the month at which the business year immediately preceding the year in which a listing application is made ends, 'the last three months of the most recent six months' is calculated from the last day of the interim business period of the year in which a listing application is made.

<Example> When an applicant's business year ends at 31st March, and

A. Transfer takes place by 30th November,

- The last three months of the most recent six months :
January, February, and March of the business year immediately preceding the year in which a listing application is made.
- The first three months of the most recent six months :
October, November and December of the business year immediately preceding the year in which a listing application is made.

B. Transfer takes place 1st December or later(that is, the date of transfer falls later than nine month calculated from the first day of the month immediately following the month at which the most recent business year is ended),

- The last three months of the most recent six months :
July, August and September of the business year in which a listing application is made
- The first three months of the most recent six months :
April, May and June of the business year in which a listing application is made

Note 4: In order to meet the trading volume criteria, an applicant needs to have been listed on TSE for all of the 6 months for which the trading volume is calculated for the purpose of the said criteria.

<Example> When an applicant's business year ends at 31st March, and the transfer takes place by 30th November (as mentioned above), the applicant needs to have been first listed on TSE by 1st October of the most recent business year ended, from which date the trading volume is to be calculated for the purpose of the trading volume criteria.

Note 5: Market capitalisation of an applicant means the value of the number of shares expected to be listed, multiplied by the lowest closing price on the Mothers for one month period, preceding from the days two days prior to the date on which TSE officially approves its transfer. Instead, when the applicant plans to publicly offer its newly issued shares or outstanding shares at the time of the transfer, whichever is the lowest of such offering price, or the lowest closing price on the Mothers for one month period preceding from the day on which such offering price is determined, is used in calculating the market capitalisation.

3 Market Transfer Related Fees

(1) Market Transfer Examination Fee

Companies applying to move from Mothers to the 1st or 2nd section must pay a Market Transfer Examination Fee of JPY 4 million.

(2) Market Transfer Fee

Shares moving from Mothers to the 1st or 2nd section are subject to the following fee:

Fee	Amount	Payment date
Market Transfer Fee	Initial Listing Fee -(JPY 1 million + primary and secondary offering fees incurred when listing on Mothers)	By the last day of the month following the month in which the transfer takes place)

Note: 1)The Market Transfer Fee described above does not apply to companies that listed on Mothers after applying to do so before April 1st, 2003. The Market Transfer Fee for such companies is calculated using the following formula:

Initial Listing Fee (JPY 15 million for transfers to the 1st section and JPY 12 million for transfers to the 2nd section, effective upon designation) – Listing Fee paid when listing on Mothers (JPY 1 million + per share primary public issuing price when listing on Mothers x number of shares offered x 0.0009% (up to a maximum of JPY 20 million)) – Listing Fee paid for listing new shares (issuing price per share x number of new shares listed x 0.0009%)

2) Consumption tax is levied on the Market Transfer Fee. An amount sufficient to cover this tax must therefore be paid in addition to the amounts quoted here.