

Foreign Company Listing on Mothers

**Listing Promotion Office
Tokyo Stock Exchange, Inc.**

Table of Contents

I. Numerical Listing Criteria -----	1
II. Listing Examination-----	4
III. Disclosure Requirements after Listing-----	6
IV. Delisting Criteria-----	7
V. Fee Accompanied by Listing-----	8

Eligible Applicants for Mothers

Emerging companies applying for Mothers must have the potential for high growth. There are no specific numerical criteria for determining growth potential, such as a certain growth rate in sales in coming years. However, applicant companies are required to rationally explain the expected growth potential of their company as a whole, from a variety of objective perspectives, such as market conditions and business differentiation factors.

【For details, see P.4 to P.6 of <http://www.tse.or.jp/english/mothers/data/01.pdf>】

I. Numerical Listing Criteria

Mothers listing examination is done by TSE, against applicant companies who have the expectation to satisfy the following listing criteria. When foreign companies are listed on Mothers, they are collectively called “Mothers Global”.

(1) No. of Shareholders

For Applicants who applies for TSE single listing ^{*1} must have minimum of 300 shareholders ^{*2}, at the time of listing, worldwide.

For Applicants who applies for TSE multiple listing ^{*3} must have minimum of 300 shareholders, at the time of listing, in Japan.

*1: Single listing is when a foreign company applicant chooses TSE as their primary listing market, and lists only in TSE.

*2: This refers to shareholders who are holding at least 1 trading unit. [Refer to table on p.2]

*3: Multiple listing is when a foreign company lists on other exchanges aside from TSE, such as foreign stock exchanges, and chooses TSE as a second or more listed exchange.

(2) Tradable Shares

For single listing, applicant must meet the following requirements:

a) No. of tradable shares ^{*1}: 2,000 trading units or more by the time of listing

b) Market capitalization of tradable shares: JPY 500 million or more at the time of listing

c) Ratio of tradable shares to listed shares : 25% or more by the time of listing

*1: Tradable shares refer to listed shares excluding shares held by parties with a special interest such as officers, shares owned by the company itself, and shares held by persons who individually own 10% or more of listed shares.

For multiple listing, applicant needs 2,000 units or more tradable shares.

(3) Public Offering

Applicants must make, in the period starting from the time of listing application till the previous day of listing, a public offering*¹ of at least 500 trading units*².

*1: This refers to only that which takes place in Japan. However, when applicants are privately held and their listing applications are made only to Mothers, offerings made in other countries are also included.

*2: The trading unit of applicants is determined, as prescribed in the table below, in accordance with their average market price over the past year converted into JPY. When applicants are not listed on stock exchanges of other countries, the trading unit is to be determined, as prescribed in the table below, in accordance with the price of public offering.

Average Closing Price	Trading Unit (shares / DRs)
Less than ¥500	1,000
¥500 – less than ¥1,000	500
¥1,000 – less than ¥5,000	100
¥5,000 – less than ¥10,000	50
¥10,000 – less than ¥100,000	10
¥100,000 or more	1

(4) Market Capitalization of Listed Shares

Market capitalization of Listed Shares* has to be more than 1 billion yen at the time of listing.

* Market capitalization of listed shares is calculated by multiplying the number of listed shares and the expected price of public offering.

(5) Continuous Business Record

An applicant must have a continuous business record, under the board of directors, of not less than 1 year dating back from the day on which it makes listing application.

(6) Financial Statements

An applicant's financial statements in principle must meet the following criteria:

- a) A CPA expressed his/her summary opinion that such financial statements represented the financial position 'fairly', on 'unqualified terms', or, 'fairly' albeit on 'qualified terms' in an audit report attached to financial statements for the first of two business years ended within last 2 years.
- b) A CPA expressed his/her summary opinion that such financial statements represented the financial position 'fairly', on 'unqualified terms' or 'represented valid information' in an audit report attached to financial statements for business year ended within last year and to semi-annual financial statements for the current business year.
- c) A "false statement" was not made in any of financial statements for each business year ended within the last 2 years, or in any semi-annual financial statements for a semi-annual accounting period ended within the current year.

(7) Consent of JASDEC

An applicant needs to obtain, or be expected to obtain by the time of listing, consent of JASDEC, Japan Securities Depository Center (JASDEC), which is the CSD in Japan, as to custody and delivery of the applicant's shares by JASDEC.

(8) Restrictions on Transfer of Shares

Applicants must have no restrictions on the transfer of their stocks.

- * However, this does not apply when the transfer of their stocks is restricted in the applicants' home jurisdiction and that TSE deems that such restriction will not obstruct trading of their stocks on Mothers.

(9) Other

a. for Listing of DRs

For applicants applying for listing of DRs, a deposit contract between an applicant, the depository and the DR holders is completed.

b. for Listing of JDRs

Their forms of JDRs should meet TSE's requirements and they should be confirmed at a board meeting.

II. Listing Examination (Summary)

Eligible applicants satisfying the numerical listing criteria, and their related companies, will be examined in terms of the following items. Consideration is given in terms of legal systems, business practices, etc. of a country of an applicant's origin or/and its chief business operation.

1. Appropriate Disclosure of Corporate Profile and Risk Information

(1) Applicants are able to handle and disclose appropriately and in a timely fashion any material corporate information which arises, in accordance with their own regulations. And the system to prevent internal trade is appropriately organized and operated.

(2) Corporate profile disclosure information in the submitted application documents is prepared in compliance with the relevant laws and regulations. Information that may effect serious impact on investor's investment decision, company's risk factors, and the precondition for the company to conduct business activities, are clearly written.

(3) Corporate disclosure of applicants and the related companies are not distorted as a result of transactions with the special interest persons, related companies and other entities, or from adjustments to the stock ownership of the related companies etc.

(4) When the applicant company holds a parent company, the applicant is able to grasp the information of the parent company, that would effect the applicant company's business, thus, able to appropriately disclose the information.

(5) The accounting system that the applicant employs is recognized that it is appropriate from the view point of investor protection.

(6) When the applicant is not listed in other foreign stock exchanges and that it only applies for TSE, the following a and b should be written in Security Report for Listing (Part 1).

a) any form of issuing new shares aside from share allocation to shareholders, including issuing bonds with warrants and/ or shares with warrants,

b) any change occurred regarding shares held by special interest persons.

2. Sound Corporate Management

(1) Applicants and their related companies are not making transactions with the special interest persons, related companies and other entities under conditions clearly advantageous and/or disadvantageous to the applicants.

(2) The board member does not lack its fair and loyal manner of business execution, when its member includes kinship or other company's employee.

(3) When the applicant company has a parent company, the independence of applicant company from its parent company is secured.

3. Effective Corporate Governance and Internal Control System

The applicant company has properly built a framework for corporate governance and internal control.

(1) The situation for the board member to adequately execute its duty is appropriately secured and operated.

(2) The internal control system is appropriately built and operated, in order to execute its business activity effectively.

(3) The number of employees is continuously maintained in order to effectively operate its business activity and internal control system.

(4) The applicant company employs the accounting standard that suits the actual condition of the company, and that it is prepared and managed.

(5) Internal control system of the applicant and its related companies is appropriately prepared, managed and operated in compliance with the related laws.

4. Other Necessary Matters in Terms of Public Interests and Protection of Investors

The applicant must meet the following criteria, with legal systems, practices etc. duly taken into account:

(1) Shareholders' rights and their exercise are not restricted without due cause, and considered appropriate from the viewpoint of shareholder protection.

(2) Applicant does not hold any ongoing legal cases or conflicts that may cause impact on company's business activity.

(3) No factors that will cause difficulties in maintenance of 'prerequisite for principal

business' exist.

(4) Any other matter recognized to be qualified from the view of investor protection.

III. Disclosure Requirements after Listing

1. Appointment of an Attorney-in-Fact

A listed foreign company must appoint an attorney-in-fact to mediate between the company and TSE on behalf of the company for corporate disclosure, etc. The attorney-in-fact should in principle be selected from the executives or officers of the company residing in the Tokyo area, however the company may instead designate an officer of an affiliate company or a lawyer residing in the Tokyo area.

2. Appointment of an Officer Responsible for Handling Information

A listed foreign company whose main market is TSE is required to appoint an "Officer Responsible for Handling Information (ORHI)" in principle in Japan. ORHI, who plays a role as a liaison for investors in Japan as well as TSE, should be selected from in principle the executives or officers who is fluent in Japanese.

3. Timely Disclosure

A listed foreign company must disclose the following information to TSE promptly, appropriately and without delay. Legal systems etc. of the company's home jurisdiction will be duly taken into account when applying the following items:

- (1) Material corporate information; occurrences of material facts; business results of each business year; an earnings forecast including sales, net profit, surplus/interim dividend, and an earnings forecast including sales, net profit, of the company's business group, etc. when they significantly deviate from the previous forecast.
- (2) Its affiliated companies' material corporate information; occurrences of material facts with regards to the affiliated companies

Revisions to the related laws such as a Corporate Law in its home jurisdiction which could have significant effects on shareholders in Japan and/or the company's operation and business results, and the occurrence of material facts in any other countries/regions than Japan which could significantly affect the trading of the company's securities.

4. Quarterly Disclosure

A listed foreign company must disclose its business results for the first, second and third

quarters promptly when they have been finalized, and the disclosed financial documents must be reviewed.

5. Presentations to investors and analysts

A listed foreign company must hold a meeting for presentation to its shareholders and analysts in Japan at least twice a year in the 3 years immediately following the day of listing.

6. Other

A listed foreign company must submit any other documents TSE requires on legitimate reasons.

- In case of convocation of a beneficial shareholders meeting, a listed foreign company must deliver documents necessary for exercising voting rights to its shareholders in Japan. When applying this requirement, legal systems etc. of the company's home jurisdiction will be duly taken into account.

IV. Delisting Criteria (Summary)

A listed foreign company meeting any of the following criteria will be subject to delisting:

1. Average Transaction Volume

When the monthly average volume during a year (starting from January to December) is less than 10 units. Or, the trading has not occurred for 3 months.

2. No. of Shareholders

When the number of shareholders* is less than 150 people at the end of the fiscal year, and does not exceed 150 in the next one-year period.

*This refers to shareholders residing in Japan. However, when a listed company is not listed on a stock exchange(s) in other countries, all the shareholders, regardless of their countries of residence, are counted.

3. Tradable Shares

When company meets 1 or more of the following a to c:

- a) When the number of tradable shares is less than 1,000 units at the end of the business year, and does not exceed 1,000 units within a year.
- b) When the market capitalization of tradable shares is less than JPY 250 million and

does not exceed JPY 250 million within a year.

c) When the ratio of tradable shares to listed shares is less than 5%, at the end of the business year, and does when the plan of public offering and /or sales is not submitted within a certain period..

4. Excess Liabilities

A company's liabilities exceed its assets at the end of a fiscal year and remain same for another year. (This is not applicable to the first 3 years immediately after the listing on Mothers).

5. Sales

Sales recorded for last business year is less than JPY 100 million (not applicable when profits are recorded for that year)*

*This does not apply to the first 5 years after listing.

6. Market Capitalization of Listed Shares

When corresponds to the following a or b:

a) Market capitalization*¹ is less than JPY 500 million and does not exceed JPY 500 million in 9 months.

b) When the market capitalization is less than number of shares times 2.

7. Others

Suspension of bank account, bankruptcy, rehabilitation procedures, corporate reorganization/liquidation, suspension of business operation, inappropriate merger, delay in the filing of the Annual/Semi-annual Securities Report, false statements in financial statements, or opinion of 'not fair' etc. expressed by a CPA(s), breach of Listing Agreement, placing of restrictions on transfer of stocks, becoming a wholly-owned subsidiary, delisting from a stock exchange in other countries, and others.

V. Fee Accompanied by Listing

1. Listing Examination Fee

JPY 2 million. To be paid by the last day of the following month of listing application.

2. Initial Listing Fee

JPY 1 million. To be paid by the last day of the following month of listing.

3. Public Offering Fee

When TSE is not the main market for the applicant, this does not apply.

1. Charged for public offering of newly issued shares at the time of listing on Mothers
 $0.0009 \times \text{the number of newly issued shares publicly offered} \times \text{the offering price}$
2. Charged for public offering of previously issued shares at the time of listing on Mothers
 $0.0001 \times \text{the number of previously issued shares publicly offered} \times \text{the offering price}$

4. TD-net User Fee

When TSE is not the main market for the applicant, this does not apply.

JPY 120,000

5. Annual Listing Fee

Charged half the fee listed below, for the first 3 years after listing.

Listed company' s market capitalization	Annual Listing Fee
Up to and including ¥5 billion	480,000
Over 5 billion and Up to and including ¥25 billion	1,200,000
Over 25 billion and Up to and including ¥50 billion	1,920,000
Over 50 billion and Up to and including ¥250 billion	2,640,000
Over 250 billion and Up to and including ¥500 billion	3,360,000
Over ¥500 billion	4,080,000

6. Additional Listing Fee (after listing)

Additional fees are charged for listing of (1)the issuance of new shares, (2)the public offering of previously issued shares, and (3)the listing of newly issued shares.

- (1) Fees charged for the issuance of new shares

$(\text{Amount of paid-in value per share}) \times \text{number of newly issued shares} \times 0.0001$

- (2) Fees charged for the public offering of previously issued shares

$\text{number of previously issued shares} \times \text{offering price} \times 0.0001$

- (3) Fees charged for the listing of newly issued shares

$(\text{Amount of paid-in value per share}) \times \text{number of newly listed shares} \times 0.0008$