

## **Guidelines Concerning Listing Examination, etc.**

(as of December 30, 2009)

Tokyo Stock Exchange, Inc.

### **I. General Provisions**

#### **(Purpose, etc.)**

1. These guidelines shall prescribe necessary matters concerning listing examination, etc. pursuant to the Securities Listing Regulations (hereinafter referred to as the “Regulations”).
2. At the time of carrying out listing examination, etc., listing examination, etc. concerning listing eligibility of initial listing applicants, etc. shall be carried out based on these guidelines, fully considering that the market should be operated so as to ensure stable trading in the market, that is, fair price formation and maintenance of appropriate transactions, and investor protection, that is, the protection of investors’ rights and interests.

#### **(Meanings of Terminology)**

3. The meanings of the terminology pertaining to listing, etc. of securities that will be used in these guidelines shall be as specified in the Regulations and the Enforcement Rules for Securities Listing Regulations (hereinafter referred to the “Enforcement Rules”).

### **II. Initial Listing Examination of Stocks, etc. [Main Markets]**

#### **(Listing Examination Pertaining to Application for Initial Listing on Main Markets)**

1. Listing examination of a stock, etc. for which an initial listing application is made for Main Markets as prescribed in Rule 207, Paragraph 1 of the Regulations shall be carried out pursuant to the provisions of this II. In this case, if such initial listing applicant is a foreign company, listing examinations shall be carried out in consideration of the legal system, and practices and customs, etc. of the home country, etc. for such initial listing applicant.

#### **(Corporate Continuity and Profitability of Domestic Companies)**

2. Where an initial listing applicant is a domestic company, listing examinations concerning items specified in Rule 207, Paragraph 1, Item 1 of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (3) and other viewpoints:
  - (1) There is reasonability in profit plans and income and expenditure plans of the

- corporate group of an initial listing applicant;
- (2) The corporate group of an initial listing applicant shall have positive expectations with regard to future profit and loss and income and expenditure. In this case, where the corporate group of an initial listing applicant falls under any of the following a. to c., the outlook on the future profit and loss and income and expenditure shall be deemed to be good:
- a. Where the corporate group of an initial listing applicant is reasonably expected to maintain the recent level of profit and loss and income and expenditure;
  - b. Where profit and loss or income and expenditure of the corporate group of an initial listing applicant have deteriorated, and such state is recognized to improve, for instance, the level of the profit and loss or income and expenditure of said corporate group is expected to recover in the future based on objective facts; and
  - c. Where recent profit and loss or income and expenditure of the corporate group of an initial listing applicant are not good, and corporate group of an initial listing applicant is reasonably anticipated to show an adequate profit in the near future and, in addition, profit and loss or income and expenditure in the future of such corporate group is recognized to recover or improve based on objective facts; and
- (3) Management activities (meaning business activities, and investment activities and financial activities; the same shall apply hereinafter) of the corporate group of an initial listing applicant are recognized to be able to be carried out stably and continuously in light of the matters enumerated in the following a. to d. and other matters:
- a. Business activities of the corporate group of an initial listing applicant are in a state enumerated in the following (a) and (b):
    - (a) Business activities are able to be conducted stably and continuously in light of purchases, production and sales, actual results of transactions with customers and suppliers, characteristics and demand trends for manufactured products and services, and the state of performance of any other business (excluding the viewpoint of the structure of the corporate group); and
    - (b) The structure of the corporate group is no serious obstacle to continuous business activities;
  - b. Investment activities such as capital investment and business investment, etc. of the corporate group of an initial listing applicant do not hinder continuous management activities in light of the trend and future outlook, etc. of the state of investment;
  - c. Financial activities such as fundraising, etc. of the corporate group of an initial listing applicant do not hinder continuous management activities in light of the trend and future outlook, etc. of the state of financial affairs; and
  - d. Concerning the matters which become the premise of the main business activities of the corporate group of an initial listing applicant (meaning permission, authorization, license, or registration pertaining to main businesses or

manufactured goods and commodities or selling agent agreements or production entrustment agreements; the same shall apply hereinafter), there are no obstacles to the continuous business activities.

**(Soundness of Corporate Management of Domestic Companies)**

3. Where an initial listing applicant is a domestic company, listing examination concerning the items specified in Rule 207, Paragraph 1, Item 2 of the Regulations shall be carried out from the viewpoints enumerated as follows and other viewpoints:
- (1) The corporate group of an initial listing applicant is recognized not to give or receive profits wrongfully through a trading act (including indirect trading acts and free supply of services and its reception; the same shall apply hereinafter) or any other management activities with relevant parties and other specified entities, in light of the matters enumerated in the following a. and b. and other matters:
    - a. Where a transaction has taken place between the corporate group of an initial listing applicant and its relevant parties (meaning relevant parties referenced in Rule 8, Paragraph 17 of the Financial Statements, etc. Rules; the same shall apply hereinafter) or any other specified entities, and such transaction has rationality of continuing the transaction and reasonability of trading terms including trading prices; and
    - b. Benefits of the corporate group of an initial listing applicant are not lost wrongfully because relevant parties and any other specified entities of the corporate group of an initial listing applicant give priority to their own benefits;
  - (2) The mutual relationship of relatives of officers (including board members, accounting advisors (where an accounting advisor is a corporation, including its employees who should carry out its office duties; the same shall apply hereinafter.), auditors, or executive officers (including governors and inspectors and any other entities corresponding to these); the same shall apply hereinafter.) of an initial listing applicant, its composition, actual working situation or the state of concurrent posts as officers and employees, etc. with any other company, etc. are recognized not to impair the fair, faithful and full execution of office duties or the implementation of effective auditing as officers of such initial listing applicant. In this case, where board members, accounting advisors or executive officers, otherwise, spouses of persons corresponding to these and blood relatives within the second degree and relatives by affinity take a position as an auditor, a member of an auditing committee or any other positions corresponding to these, it shall be deemed to impair the implementation of an effective auditing; and
  - (3) Where an initial listing applicant has a parent company, etc. (excluding cases where such applicant is expected to cease to own the parent company, etc. by the end date of a business year which first ends after listing.), management activities of the corporate group of an initial listing applicant are recognized to be carried out independently from such parent company, etc. in light of the matters enumerated in the following a.

to c. or any other matters:

- a. In light of the relationship between the business line of the corporate group of an initial listing applicant and that of the corporate group of the parent company, etc. (excluding the corporate group of an initial listing applicant; the same shall apply hereinafter.), the state of business adjustment made by the corporate group of the parent company, etc. and its possibility and any other matters, an initial listing applicant is not recognized to be substantially a business division of such parent company, etc.;
- b. The corporate group of an initial listing applicant or that of a parent company, etc. does not coerce or induce transaction which become disadvantageous to such parent company, etc. or the corporate groups of such initial listing applicant such as transactions under markedly different terms from those of normal transactions (meaning a current market price, for example; the same shall apply hereinafter.); and
- c. The state of receiving seconded persons of the corporate group of an initial listing applicant is recognized not to excessively depend on the parent company, etc. and not to hinder continuous management activities.

**(Effectiveness of Corporate Governance and Internal Management System of Domestic Companies)**

4. Where an initial listing applicant is a domestic company, listing examination concerning the items prescribed in Rule 207, Paragraph 1, Item 3 of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (5) and other viewpoints:
  - (1) The system to secure the execution of appropriate work duties of officers of the corporate group of an initial listing applicant is recognized to be appropriately prepared and operated in light of the matters enumerated in the following a. and b. and other matters:
    - a. An initial listing applicant has an organizational structure and an officer composition which is able to effectively implement checks and balances as well as auditing concerning the execution of work duties of officers of the corporate group of an initial listing applicant. A listing examination in such a case shall be conducted in consideration of the state of compliance with matters prescribed in the provisions of Rules 436-2 through 439 of the Regulations; and
    - b. In the corporate group of an initial listing applicant, checks and balances as well as auditing are implemented with regard to the execution of work duties of officers for the purpose of the continuous and efficient management of the corporation. Moreover, such checks and balances as well as auditing effectively function;
  - (2) The internal management system is deemed to be appropriately developed and operated so that an initial listing applicant and its corporate group carry out effective management activities in light of the matters enumerated in the following a. and b. and other matters:

- a. A necessary managerial and administrative system (including various internal rules; the same shall apply hereinafter.) is developed and operated appropriately to secure efficiency of management activities and internal check-and balance functions of the corporate group of an initial listing applicant; and
  - b. An internal auditing system of the corporate group of an initial listing applicant is prepared and operated appropriately;
- (3) Necessary personnel are deemed to be secured in order to carry out stable and continuous execution of management activities of the corporate group of an initial listing applicant and to maintain its appropriate internal management system;
  - (4) The corporate group of an initial listing applicant adopts accounting treatment standards adaptable to its actual condition, and a necessary accounting system is deemed to be developed and operated appropriately; and
  - (5) It is deemed that an effective system to comply with laws and regulations, etc. concerning management activities and other matters in the corporate group of an initial listing applicant is prepared and operated appropriately, and that no material breach of laws and regulations has recently been made, and no act which is likely to become a material breach of laws and regulations in the future is being carried out.

**(Appropriateness of Disclosure of Corporate Information, etc. of Domestic Companies)**

5. Where an initial listing applicant is a domestic company, listing examination concerning the items specified in Rule 207, Paragraph 1, Item (4) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (4) and other viewpoints:
  - (1) The corporate group of an initial listing applicant is deemed to be able to reasonably manage corporate information including facts which will have a material effect on management and to disclose it in a timely and appropriate manner to investors. Moreover, its system for the preemptive prevention of insider trading is deemed to be developed and operated appropriately;
  - (2) Documents pertaining to disclosure of corporate information, out of the initial listing application documents, are deemed to be prepared in compliance with laws and regulations, etc., and contain the following items enumerated in the following a. and b. and other matters:
    - a. The financial condition and financial results of an initial listing applicant and its corporate group, and matters which may have an important effect on investment decisions of investors with respect to important matters, etc. concerning officers, major shareholders, affiliated companies, etc.; and
    - b. Items enumerated in the following (a) to (d) pertaining to the matters which are the premises of main business activities of the corporate group of an initial listing applicant:
      - (a) Details of the matters which are the premises of the main business activities of

- the corporate group of an initial listing applicant;
- (b) Where the validity period of permission and authorization, etc. and any other time limit is specified by laws and regulations or contract, etc., such time limit;
  - (c) Where cancellation, rescission and any other event of permission and authorization, etc. are stipulated in laws and regulations or contract, etc., such event; and
  - (d) The effect that there is no factor which hinder their continuity concerning the matters which are the premises of the main business activities of the corporate group of an initial listing applicant, and if there is such factor, the fact that it will have a material effect on business activities;
- (3) The corporate group of an initial listing applicant does not provide distorted information disclosure on the actual state of the corporate group of the initial listing applicant by carrying out a trading act with its relevant party or any other specified entity or adjustment of the share ownership ratios, etc.; and
- (4) Where an initial listing applicant has a parent company, etc. (excluding where it will cease to have a parent company, etc. by the end date of a business year which ends first after listing), any one of the following a. or b. shall be met on the condition that disclosure of such parent company, etc. is valid:
- a. A stock, etc. issued by a parent company, etc. of an initial listing applicant (where there are a number of parent companies, etc., it means a company which is deemed to have the greatest effect on the initial listing applicant, and it means one of the parent companies, where the effect is deemed to be the same; the same shall apply hereinafter in these a and b.) is listed on a domestic financial instruments exchange (including where a stock, etc. issued by such parent company, etc. is listed or continuously traded on such foreign financial instruments exchange, etc., and the state of disclosure on corporate affairs in a country in which such parent company, etc. or such foreign financial instruments exchange, etc. is located is not deemed to conspicuously lack investor protection); and
  - b. An initial listing applicant can appropriately grasp company information such as facts concerning the parent company, etc. which has a material effect on its management (excluding a parent company, etc. which falls under the preceding a.), and the initial listing applicant pledges in writing that such parent company, etc. agrees to its disclosure of company information which has a material effect on its management, out of such company information concerning the parent company, etc., to investors in an appropriate manner.

**(Viewpoints of Public Interest or Investor Protection with regard to Domestic Companies)**

6. Where an initial listing applicant is a domestic company, listing examination concerning the items prescribed in Rule 207, Paragraph 1, Item (5) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (5) and other

viewpoints:

- (1) The contents of the rights of shareholders and the state of their exercise are deemed appropriate from the viewpoints of the public interest or the protection of investors, due to the matters enumerated in the following a. and b. and other matters:
  - a. The contents of shareholder rights and exercise thereof are not unreasonably restricted; and
  - b. Where an initial listing applicant has introduced a takeover defense measure, the initial listing applicant complies with the matters enumerated in each item of the Rule 440 of the Regulations;
- (2) The corporate group of an initial listing applicant does not have a contention, a dispute, etc. which may have a material effect on management activities and business results;
- (3) The corporate group of an initial listing applicant is deemed to have developed an internal system to prevent criminal and extremist elements from being involved in management activities, and make efforts to prevent such involvement, and their actual state is deemed to be appropriate from the viewpoint of the public interest or the protection of investors;
- (4) Where a domestic stock, etc. pertaining to an initial listing application is shares without voting rights or shares with a small number of voting rights (meaning those enumerated in Item 9-2, Sub-item b of Rule 205 of the Regulations), all of the following a. to f. shall be met:
  - a. Where a state of controlling a company with an extremely small ratio of contribution, a scheme of shares without voting rights or a small number of voting rights is expected to be dissolved;
  - b. Where conflicts of interest arise between shareholders of different classes, protection measures are deemed to be able to be taken so that shareholders of a domestic stock, etc. pertaining to such initial listing application do not unreasonably suffer damage;
  - c. Where the issuer of a domestic stock, etc. pertaining to such initial listing application carries out a transaction with an entity enumerated in the following (a) to (c) (including transactions, out of transactions carried out between an entity enumerated in the same (a) to (c) and said issuer on behalf of a third party and those between such issuer and the third party, where an entity enumerated in the same (a) to (c) has a material effect on said issuer concerning such transactions), protection measures for minority shareholders are deemed to be expected to be able to be taken:
    - (a) A parent company;
    - (b) A controlling shareholder (excluding a parent company) and his/her close relatives; and
    - (c) The company referenced in the preceding (b) that holds the majority of the voting rights, etc. and a subsidiary of such company, etc.;

- d. It is prescribed that where a domestic stock, etc. pertaining to such initial listing application is shares with a small number of voting rights, shares with a large number of voting rights (meaning shares with voting rights other than shares with a small number of voting rights; the same shall apply hereinafter.) shall be converted to shares with a small number of voting rights, when they are transferred, etc.;
  - e. Where a domestic stock, etc. pertaining to such initial listing application has preferential contents concerning dividends from retained earnings, estimated profits for two (2) years after the end date of the business year immediately prior to the business year including the listing application date and a distributable amount as of the end date of the business year immediately prior to the business year involving the listing application date are deemed to be good, and it is expected that the issuer of such domestic stock, etc. will account for profits sufficient to carry out dividends from retained earnings pertaining to such domestic stock, etc., in principle; and
  - f. Benefits of shareholders and investors are deemed to be highly unlikely to be infringed; and
- (5) It is deemed appropriate from the viewpoints of the public interest or the protection of investors.

**(Corporate Continuity and Profitability of Foreign Companies)**

7. Where an initial listing applicant is a foreign company, listing examination concerning the matters prescribed in Rule 207, Paragraph 1, Item (1) shall be carried out from the viewpoints enumerated in the following (1) to (4) and other viewpoints:
- (1) Profit and loss and income and expenditure in consolidated financial statements of an initial listing applicant (where the initial listing applicant does not disclose them as financial materials, financial statements or combined financial data) have not deteriorated. In this case, even where such profit and loss or income and expenditure have deteriorated, where they are deemed not to impair sound continuity of management activities of the corporate group of the initial listing applicant, it shall be treated as if such profit and loss or income and expenditure have not deteriorated;
  - (2) Management activities of the corporate group of an initial listing applicant are in a state enumerated in the following a. and b.:
    - a. There is no material obstacle to the execution of management activities of the corporate group (excluding the viewpoints concerning the structure of the corporate group); and
    - b. The structure of the corporate group does not seriously hinder the continuous execution of business activities;
  - (3) Concerning the matters which are the premises of the main business activities of the corporate group of an initial listing applicant, there is no factor which hinders their continuity; and

- (4) There is no factor which seriously hinders the management and administration of the corporate group of an initial listing applicant.

**(Soundness of Corporate Management of Foreign Companies)**

8. Where an initial listing applicant is a foreign company, listing examination concerning the matters as prescribed in Rule 207, Paragraph 1, Item (2) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints:

- (1) The corporate group of an initial listing applicant is recognized not to give or enjoy profit wrongfully through a trading act or any other management activities with related parties and other specified entities, in light of the matters enumerated in the following a. and b. and other matters:
  - a. Where a transaction has been conducted between the corporate group of an initial listing applicant and its related parties and/or any other specified entities, and such transaction has rationality of continuing being carried out and reasonability of trading terms including trading prices; and
  - b. Benefits of the corporate group of an initial listing applicant are not lost wrongfully because related parties and any other specified entities of the corporate group of an initial listing applicant give priority to their own benefits; and
- (2) Where an initial listing applicant has a parent company, etc. (excluding cases where such applicant is expected to cease to own the parent company, etc. by the end date of a business year which first ends after listing.), management activities of the corporate group of an initial listing applicant are recognized to be independent from such parent company, etc. in light of the matters enumerated in the following a. to c. or any other matters:
  - a. In light of the relationship between the business line of the corporate group of an initial listing applicant and that of the corporate group of the parent company, etc., the state of business adjustment made by the corporate group of the parent company, etc. and its possibility and any other matters, an initial listing applicant is not recognized to be substantially a business division of such parent company, etc.;
  - b. The corporate group of an initial listing applicant or that of a parent company, etc. does not coerce or induce a trading act which becomes disadvantageous to said parent company, etc. or the corporate group of said initial listing applicant such as transactions on markedly different terms from those of normal transactions; and
  - c. The state of receiving seconded persons of the corporate group of an initial listing applicant is recognized not to heavily depend on the parent company, etc. and not hinder continuous management activities.

**(Effectiveness of Corporate Governance and Internal Management System of Foreign Companies)**

9. Where an initial listing applicant is a foreign company, listing examination concerning

the matters prescribed in Rule 207, Paragraph 1, Item (3) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints:

- (1) The system to secure the execution of appropriate work duties of officers of the corporate group of an initial listing applicant, and an internal management system, etc. to carry out management activities of the corporate group of the initial listing applicant are recognized to be appropriately developed and operated; and
- (2) The accounting system of the corporate group of an initial listing applicant is recognized as appropriate from the viewpoint of investor protection.

**(Fairness of Disclosure of Corporate Affairs, etc. of Foreign Companies)**

10. Where an initial listing company is a foreign company, listing examination concerning the matters prescribed in Rule 207, Paragraph 1, Item (4) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (4) and other viewpoints:

- (1) The corporate group of an initial listing applicant is recognized to be able to properly manage corporate information of facts, etc. which will have a material effect on management, and a system for making timely and appropriate disclosure to investors and the preemptive prevention of insider trading is deemed to be developed and operated appropriately;
- (2) Documents pertaining to disclosure of corporate information, out of the initial listing application documents, are deemed to be prepared in compliance with laws and regulations, and contain the matters enumerated in the following a. and b. and other matters:
  - a. The legal system of the home country, etc. of an initial listing applicant, the financial condition and financial results of an initial listing applicant and its corporate group, and matters which may have a material effect on investment decisions of investors, such as important matters, etc. concerning officers, major shareholders, related companies, etc.; and
  - b. Matters enumerated in the following (a) to (d) pertaining to the matters which are the premises of main business activities of the corporate group of an initial listing applicant:
    - (a) Details of the matters which are the premises of main business activities of the corporate group of an initial listing applicant;
    - (b) Where the validity period of permission, authorization, etc. and any other time limit are specified by laws and regulations or contract, etc., such time limit;
    - (c) Where cancellation, rescission, and any other event of permission and authorization, etc. are stipulated by laws and regulations or contract, etc., such fact and content; and
    - (d) The fact that there is no factor which hinder their continuity concerning the

matters which are the premises of main business activities of the corporate group of an initial listing applicant, and if there is such factor, the fact that it will have a material effect on business activities;

- (3) The corporate group of an initial listing applicant does not provide distorted information disclosure on the actual state of the corporate group of the initial listing applicant by conducting a trading act with its related party or any other specified entity or adjustment of stock ownership ratios, etc.; and
- (4) Where an initial listing applicant has a parent company, etc. (excluding cases where it will cease to have a parent company, etc. by the end date of a business year which ends for the first time after listing), the following a. or b. shall be met on the premise that disclosure of such parent company, etc. is valid:
  - a. A stock, etc. issued by a parent company, etc. of an initial listing applicant (meaning a parent company which is deemed to have the greatest effect on the initial listing applicant, where there are multiple parent companies, etc., or meaning any of the parent companies in cases where the effect is deemed to be the same; the same shall apply hereinafter in these a. and b.) is listed on a domestic financial instruments exchange (including cases where a stock, etc. issued by such parent company, etc. is listed or continuously traded on such foreign financial instruments exchange, etc., and the state of disclosure on corporate affairs in a country in which such parent company, etc. or such foreign financial instruments exchange, etc. is located is not deemed to markedly lack investor protection); and
  - b. An initial listing applicant can appropriately understand company information such as facts and information concerning the parent company, etc. which has a material effect on its management (excluding a parent company, etc. which falls under the preceding a.)), and the initial listing applicant pledges in writing that such parent company, etc. agrees to its disclosure of company information which has a material effect on its management, out of such company information concerning the parent company, etc., to investors in an appropriate manner:

**(Viewpoints of the public interest or the protection of investors with regard to foreign Companies)**

11. Where an initial listing applicant is a foreign company, listing examination concerning the matters as prescribed in Rule 207, Paragraph 1, Item (5) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (4) and other viewpoints:
  - (1) The contents of the rights of shareholders or holders of foreign stock depositary receipts, etc. and the state of their exercise are deemed appropriate from the viewpoints of the public interest or the protection of investors, because of the matters enumerated as follows and other matters:
    - a. The contents of the rights of shareholders or holders of foreign stock depositary receipts, etc., and their exercise are not unreasonably restricted; and

- b. Where an initial listing applicant has introduced a takeover defense measure, the initial listing applicant complies with the matters enumerated in each item of Rule 440 of the Regulations;
- (2) The corporate group of an initial listing applicant does not have a contention or dispute, etc. which would have a material effect on management activities and business performance;
- (3) The corporate group of an initial listing applicant is recognized to prepare an internal system to prevent criminal and extremist elements from being involved in management activities, and making efforts to prevent such involvement, and their actual state is recognized as appropriate from the viewpoints of the public interest or the protection of investors; and
- (4) Other cases deemed appropriate from the viewpoints of the public interest or the protection of investors.

**(Special Exceptions to Foreign Companies)**

- 12. Where an initial listing applicant is a foreign company, and the main market of a foreign stock, etc. issued by such initial listing applicant is other than the Exchange and, furthermore, where the Exchange deems it appropriate in light of listing of securities, timely disclosure of the issuer of listed securities, delisting, the state of the development and operation of the legal system and rules concerning listed securities in such main market, they shall be treated as appropriate for all or part of the examination as prescribed in the above 7. through the preceding 11.

**(Listing Examination for Companies Established by Shareholder-Directed Spin-off of Listed Companies)**

- 13. Where an initial listing applicant is a company established by a shareholder-directed spin-off of a listed company, listing examination concerning the business to be inherited due to the demerger and the plan, etc. of the demerger shall be carried out, notwithstanding the provisions of the above 2. through the preceding 12, but pursuant to the provisions of the above 2. through 6., or the above 7. through the preceding 12, where an initial listing application is made before such demerger.

**III. Initial Listing Examination of Stocks, etc. [Mothers]**

**(Listing Examination Pertaining to Initial Listing Application to Mothers)**

- 1. Listing examinations of a stock, etc. for which initial listing application is made to Mothers as prescribed in Rule 214, Paragraph 1 of the Regulations shall be carried out as prescribed in this III. In this case, where such initial listing applicant is a foreign company, listing examinations shall be carried out in consideration of the legal systems and practices and customs, etc. in the home country, etc. of such initial listing applicant.

**(Appropriateness of Disclosure of Corporate Information, Risk Information, etc.)**

2. Listing examination of the matters as prescribed in Rule 214, Paragraph 1, Item (1) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (6) and other viewpoints:
- (1) The corporate group of an initial listing applicant is deemed to be able to properly manage corporate information of facts, etc. which will have a material effect on management and to disclose it to investors in a timely and appropriate manner, and a system for the preemptive prevention of insider trading is deemed to be developed and operated appropriately;
  - (2) Documents pertaining to disclosure of corporate information, out of initial listing application documents, are deemed to be prepared in compliance with laws and regulations, and contain the matters enumerated in the following a to c and other matters appropriately in consideration of the state of the business line and the business condition of an initial listing applicant and its corporate group:
    - a. Useful matters for investment decisions of investors such as analysis and explanation pertaining to the state of financial conditions, management performance & receipt and disbursement of funds, the state of the related companies, the state of R&D activities, the state of major shareholders, the state of officers & employees, dividend policy, purposes of funds of an increase in paid-in capital through a public offering concerning an initial listing applicant and its corporate group;
    - b. Matters that should be considered as a risk factor of an initial listing applicant, when investors make investment decisions, such as a small number of years in business operations, the state of the occurrence of cumulative losses or business losses, dependence on a specified officer, the state of competition of business with other companies, uncertainties of markets and technologies, the state of support for the purpose of the administration of business from a specified entity, etc., concerning an initial listing applicant; and
    - c. Matters enumerated in the following (a) to (d) with respect to matters which are the premises of the main business activities of an initial listing applicant and its corporate group:
      - (a) Details of the matters which are the premises of the main business activities of an initial listing applicant and its corporate group;
      - (b) Where the validity period of permission and authorization, etc. and any other time limit is specified by laws and regulations or a contract, etc., such time limit;
      - (c) Where cancellation, rescission and any other event of permission and authorization, etc. are stipulated by laws and regulations or a contract, etc., such fact; and
      - (d) The effect that there is no factor which hinder their continuity concerning the

matters which are the premises of the main business activities of the corporate group of an initial listing applicant, and if there is such factor, the effect that it will have a material effect on business activities;

- (3) The corporate group of an initial listing applicant does not make distorted information disclosure on the actual state of the corporate group of the initial listing applicant by carrying out a trading act with its related party or any other specified entity or adjustment of the stock ownership ratios, etc.;
- (4) Where an initial listing applicant has a parent company, etc. (excluding cases where it will cease to have a parent company, etc. by the end date of a business year which ends for the first time after listing), any one of the following a or b shall be met on the premise that disclosure of such parent company, etc. is valid; provided, however, that the same shall not apply to cases where the business relationship between the initial listing applicant and such parent company, etc. is weak and, in addition, it is clear that the ownership of the stock of the initial listing applicant by such parent company, etc. is for the purpose of encouraging investment, not for the substantial control of business activities of the initial listing applicant:
  - a. A stock, etc. issued by a parent company, etc. of an initial listing applicant (meaning a company which is deemed to have the greatest effect on the initial listing applicant, where there are a number of parent companies, etc. or meaning one of the parent companies where the effect is deemed to be the same; the same shall apply hereinafter in these a and b.) is listed on a domestic financial instruments exchange (including cases where a stock, etc. issued by such parent company, etc. is listed or continuously traded on such foreign financial instruments exchange, etc., and, the state of disclosure of corporate information in a country in which such parent company, etc. or such foreign financial instruments exchange, etc. is located is not deemed to conspicuously lack investor protection); and
  - b. An initial listing applicant can appropriately understand company information such as facts concerning the parent company, etc. which has a material effect on its management (excluding a parent company, etc. which falls under the preceding a.)), and the initial listing applicant pledges in writing that such parent company, etc. agrees to its disclosure of company information which has a material effect on its management, out of such company information concerning the parent company, etc., to investors in an appropriate manner.
- (5) Where an initial listing company is a foreign company, the accounting system adopted by the initial listing company shall be deemed appropriate from the viewpoint of investor protection;
- (6) Where an initial listing company is a foreign company, and a stock, etc. pertaining to such initial listing applicant is not listed or continuously traded on a foreign financial instruments exchange, etc., and the initial listing application is made only to the Exchange, the "Securities Report for Initial Listing Application (Part I)" shall contain matters enumerated in the following a. and b.:

- a. Matters enumerated in the following (a) and (b) for a period from a day one year prior counting from the end date of a business year immediately prior to the initial listing application date to a day immediately prior to the listing date:
  - (a) The state of new stock issues, or issues of subscription warrants or subscription warrant securities by the method other than allocation to shareholders; and
  - (b) The state of change in the ownership of the shares pertaining to a stock, etc. by an entity with special interest, etc. (meaning an entity as prescribed in i) and ii) of Item (31) of Paragraph 1 of Article 2 of the Cabinet Office Ordinance on Disclosure);
- b. Where a holder of a stock, a subscription warrant or a subscription warrant security has made an arrangement concerning the holding of such securities for a certain period after listing with an initial listing applicant or with a financial instruments broker-dealer which enters into the principal underwriting agreement with an initial listing applicant, such details.

**(Soundness of Corporate Management)**

3. Listing examination concerning the matters as prescribed in Rule 214, Paragraph 1, Item (2) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (3) and other viewpoints:
  - (1) The corporate group of an initial listing applicant is recognized, as a general rule, not to give or enjoy profit wrongfully through a trading act or any other management activities with relevant parties or other specified entities, for the reason of the matters enumerated in the following a. and b. and other matters:
    - a. Where a transaction has occurred between the corporate group of an initial listing applicant and its relevant parties or any other specified entities, and such transaction has rationality of continuing the transaction, and trading terms including trading prices are clearly not disadvantageous to the corporate group of an initial listing applicant; and
    - b. Benefits of the corporate group of an initial listing applicant are not lost wrongfully because relevant parties and any other specified entities of the corporate group of an initial listing applicant give priority to their own benefits;
  - (2) The mutual relationship of relatives of officers of an initial listing applicant, its composition, actual situation of providing services or the state of concurrent posts as officers and employees, etc. with any other company, etc. are recognized not to impair the fair, faithful and full execution of office duties or the implementation of effective auditing as officers of such initial listing applicant. In this case, where directors, accounting advisors or executive officers, spouses of persons corresponding to these and blood relatives within the second degree and relatives by affinity take a position as an auditor, a member of an auditing committee or any other persons corresponding to these, it shall be deemed to impair the implementation of an effective auditing;

- (3) Where an initial listing applicant has a parent company, etc. (excluding cases where such applicant is expected to cease to have the parent company, etc. by the end date of a business year which ends for the first time after listing), management activities of the corporate group of an initial listing applicant are recognized to have independence from such parent company, etc. for the reason of the matters enumerated in the following a. to c. or any other matters:
- a. In light of the relationship between the business line of the corporate group of an initial listing applicant and that of the corporate group of the parent company, etc., the state of business adjustment made by the corporate group of the parent company, etc. and its possibility and any other matters, an initial listing applicant is not recognized to be substantially a business division of such parent company, etc.;
  - b. The corporate group of an initial listing applicant or that of a parent company, etc., as a general rule, does not coerce or induce a trading act which becomes disadvantageous to such parent company, etc. or the corporate group of such initial listing applicant, such as transactions under markedly different terms from those of normal transactions in principle; and
  - c. The state of receiving seconded persons of the corporate group of an initial listing applicant is recognized not to excessively depend on the parent company, etc. and not hinder continuing management activities.

**(Effectiveness of Corporate Governance of Enterprises and Internal Management System)**

4. Listing examination concerning the matters as prescribed in Rule 214, Paragraph 1, Item (3) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (5) and other viewpoints:
- (1) The system to secure the execution of appropriate work duties of officers of the corporate group of an initial listing applicant is recognized to be reasonably developed and appropriately operated in light of the matters enumerated in the following a and b and other matters:
    - a. An initial listing applicant has an organizational plan and an officer composition which is able to effectively conduct checking and auditing concerning the execution of work duties of officers of the corporate group of an initial listing applicant. A listing examination in such a case shall be conducted in consideration of the state of compliance with matters prescribed in the provisions of Rules 436-2 through 439 of the Regulations; and
    - b. Checking and auditing the execution of work duties of officers for efficient management is carried out and functions effectively in the corporate group of an initial listing applicant;
  - (2) The internal management system is recognized to be reasonably developed and appropriately operated for an initial listing applicant and its corporate group to carry out effective management activities for the reason of the matters enumerated in the

following a. and b. and other matters:

- a. A necessary managerial and administrative body is reasonably developed and appropriately operated to secure efficiency of management activities and internal checking functions of the corporate group of an initial listing applicant; and
  - b. An internal auditing system of the corporate group of an initial listing applicant is reasonably developed and appropriately operated;
- (3) Necessary personnel are recognized to be competent to carry out stable and continuing execution of management activities of the corporate group of an initial listing applicant and to maintain its internal management system;
  - (4) The corporate group of an initial listing applicant adopts accounting treatment standards adaptable to its actual situation and, in addition, a necessary accounting body is recognized as being prepared and operated appropriately; and
  - (5) It is recognized that an effective system to comply with laws and regulations, etc. concerning management activities and other matters in the corporate group of an initial listing applicant is prepared and operated appropriately, and that no material breach of laws and regulations has recently been made, and no act which is likely to become a material breach of laws and regulations in the future is being carried out.

**(Reasonableness of Business Plan)**

5. Listing examinations on matters specified in Rule 214, Paragraph 1, Item 4 of the Regulations shall be conducted in consideration of such viewpoints as referenced in the following (1) to (3).
  - (1) The business plan of the business group of the initial listing applicant is deemed to have been drawn up, based on appropriate preconditions which objectively analyze the business model, business environment, risk factors, management resources, etc.
  - (2) The system for drawing up the business plan of the business group of the initial listing applicant is deemed to be properly developed and appropriately managed.
  - (3) It is deemed that profit and loss as well as revenue and expenditure of the business group of the initial listing applicant in the future are likely to improve by, without any particular problem, the implementation of the business plan of the business group of the initial listing applicant.

**(Viewpoints of Public Interest or Protection of Investors)**

6. Listing examination concerning the matters as prescribed in Rule 214, Paragraph 1, Item (5) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (6) and other viewpoints:
  - (1) The contents of the rights of shareholders or holders of foreign stock depository receipts, etc. and the state of their exercise are deemed appropriate from the viewpoints of the public interest or the protection of investors, in light of the matters enumerated as follows and other matters:
    - a. The contents of the rights of shareholders or holders of foreign stock depository

- receipts, etc. and their exercise are not unreasonably restricted; and
- b. Where an initial listing applicant has introduced a takeover defense measure, the initial listing applicant complies with the matters enumerated in each item of Rule 440 of the Regulations;
- (2) The corporate group of an initial listing applicant does not have a contention or dispute, etc. which would have a material effect on management activities and business performance;
  - (3) Concerning the matters which are the premises of the main business activities of the corporate group of an initial listing applicant, there is no factor which hinders their continuity;
  - (4) The corporate group of an initial listing applicant is recognized to develop an internal system to prevent criminal and extremist elements from being involved in management activities, and making efforts to prevent such involvement and their actual state is recognized as appropriate from the viewpoints of the public interest or the protection of investors;
  - (5) A domestic stock, etc. pertaining to an initial listing applicant is shares without voting rights or shares with a small number of voting rights, all of the following a. to f. shall be met:
    - a. If a company is controlled with an extremely small ratio of contribution, a scheme of shares without voting rights or a small number of voting rights is expected to be dissolved;
    - b. Where conflicts of interest arise between shareholders of different classes, protection measures are deemed to be able to be taken so that shareholders of a domestic stock, etc. pertaining to such initial listing applicant are not unreasonably damaged;
    - c. Where the issuer of a domestic stock, etc. pertaining to such initial listing application carries out a transaction with an entity enumerated in the following (a) to (c) (including transactions, out of transactions carried out between an entity enumerated in the following (a) to (c) and such issuer on behalf of a third party and those between such issuer and a third party, where an entity enumerated in the following (a) to (c) has a material effect on such issuer concerning such transactions), protection measures for minority shareholders are deemed to be able to be taken:
      - (a) A parent company;
      - (b) The controlling shareholders (excluding a parent company) and their close relatives; and
      - (c) The company in the preceding (b) that holds the majority of the voting rights, etc. on its own account and a subsidiary of such company, etc.;
    - d. Where a domestic stock, etc. pertaining to such initial listing application is shares with a small number of voting rights, shares with a large number of voting rights shall be converted to shares with a small number of voting rights, when their

- transfer, etc. is carried out;
- e. Where a domestic stock, etc. pertaining to such initial listing application has preferential contents concerning dividends from retained earnings, estimated profits for two (2) years after the end date of the business year immediately prior to the business year containing the listing application date and a distributable amount as of the end date of the business year immediately prior to the business year containing the listing application date are, as a general rule, deemed to be good, and it is expected that the issuer of such domestic stock, etc. will record enough profits to carry out dividends from retained earnings pertaining to such domestic stock, etc.; and
  - f. Benefits of shareholders and investors are deemed to be highly unlikely to be infringed; and
- (6) It is deemed appropriate from the viewpoint of the public interest or the protection of investors.

**(Listing Examination of Companies Established Due To Demerger of Listed Companies)**

7. Notwithstanding the provisions of 2 to the preceding 6, where an initial listing applicant is a company established due to a demerger of a listed company, listing examination concerning business inherited due to the demerger and a plan of the demerger, etc. shall be carried out as prescribed in 2. to the preceding 6, where initial listing application is made before such demerger.

**III-2. Listing Examination of Non-Voting Shares Issued by Listed Companies**

**(Listing Examination of Shares without Voting Rights Issued by Listed Companies)**

Listing examination concerning the matters that the Exchange deemed necessary from the viewpoint of the public interest or the protection of investors as prescribed in Rule 302-2, Paragraph 1 of the Regulations shall be conducted as specified in the following (1) and (2) in accordance with the classification of the listed companies enumerated in the same (1) and (2):

- (1) Listed companies on the Main Market - To be carried out pursuant to the provisions of II 6. (4); and
- (2) Listed companies on Mothers - To be carried out pursuant to the provisions of III 6. (5).

**IV. Examination of Assignment to First Section Market and Examination on Change to Other Listed Markets**

**(Examination of Assignment to First Section Market)**

1. Examination pertaining to assignment of a listed stock, etc. to the first section market as prescribed in Rule 309, Paragraph 1 shall be carried out in accordance with II.

**(Examination of Change to Other Listed Markets)**

2. Examination pertaining to change to other listed markets of a listed stock, etc. as prescribed in Rule 313, Paragraph 1 shall be carried out in accordance with II. In this case, where the Exchange deems that state of disclosure of corporate affairs, etc. of a company that applies to change listed markets has been good, examination concerning appropriateness of disclosure of corporate affairs, etc. may be made in consideration of that situation.

**V. Initial Listing Examination of Preferred Stocks, etc.**

**(Listing Examination Pertaining to Initial Listing Application of Preferred Stocks, etc.)**

1. Listing examination of preferred stocks, etc. as prescribed in Rule 805, Paragraph 1 of the Regulations shall be carried out pursuant to the provisions of this V.

**(Profitability)**

2. Listing examination concerning the matters as prescribed in Rule 805, Paragraph 1, Item (1) of the Regulations shall be carried out from that estimated profits for the following two (2) years from the end date of a business year immediately prior to the business year containing the listing application date and a distributable amount as of the end date of the business year immediately prior to the business year containing the listing application date are deemed to be good, and from other viewpoints.

**(Appropriateness of Disclosure of Corporate Affairs, etc.)**

3. Listing examination concerning the matters as prescribed in Rule 805, Paragraph 1, Item (2) shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints:
  - (1) A “Securities Report for Initial Listing Application” has been prepared in accordance with laws and regulations, etc., and it is deemed to appropriately contain the matters which may have a material effect on investment decisions of investors such as important matters concerning details of a stock, etc., dividend policies, an issuer of a preferred stock, etc. and the financial condition and management performance of the corporate group, and officers, major shareholders & related companies, etc. (where there is a provision prescribing to the effect that an issuer may acquire, including the policy of such acquisition, and where it is a subsidiary-linked dividend stock, including important matters concerning the financial condition and management performance of the subject subsidiary and its corporate group); and
  - (2) In cases of an application for initial listing pertaining to a subsidiary-linked dividend

stock, the issuer is deemed to be able to manage company information such as facts, etc. pertaining to the subject subsidiary which has a remarkable effect on investment decisions on such subsidiary-linked dividend stock and to disclose such company information timely and appropriately.

**(Viewpoints of Public Interest or Protection of Investors)**

4. Listing examination concerning the matters is prescribed in Rule 805, Paragraph 1, Item (3) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints:
  - (1) Where a preferred stock, etc. pertaining to an initial listing application is a preferred stock without a right to receive residual dividends, all of the matters enumerated as follows shall be met:
    - a. Where conflicts of interest arise between shareholders of different classes, protection measures are deemed to be able to be taken so that shareholders of a preferred stock, etc. pertaining to such initial listing applicant are not unreasonably damaged;
    - b. Where the issuer of a preferred stock, etc. pertaining to such initial listing application carries out a transaction with an entity enumerated in the following (a) to (c) (including transactions, out of transactions carried out between an entity enumerated as follows and such issuer on behalf of a third party and those between such issuer and a third party, where an entity enumerated as follows has a material effect on such issuer concerning such transactions), protection measures for the minority shareholders are deemed to be able to be taken:
      - (a) A parent company;
      - (b) The controlling shareholders (excluding a parent company) and their close relatives; and
      - (c) A company, etc. as in the preceding (b) that holds the majority of the voting rights, etc. for its own account, and a subsidiary of such company, etc., and
    - c. Otherwise, benefits of shareholders and investors are deemed to be highly unlikely to be infringed; and
  - (2) Otherwise, it is deemed appropriate from the viewpoint of the public interest or the protection of investors.

**VI. Initial Listing Examination of Senior Securities**

**(Listing Examination Pertaining to Initial Listing Application of Senior Securities)**

1. Listing examination of senior securities as prescribed in Rule 817, Paragraph 1 of the Regulations shall be carried out pursuant to the provisions of this VI.

**(Issuers of Senior Securities)**

2. Listing examination concerning the matters as prescribed in Rule 817, Paragraph 1, Item (1) of the Regulations shall be conducted from the viewpoints enumerated in the following (1) to (4) and other viewpoints:
  - (1) The issuer of a senior security is established to raise funds for such subject parent company solely by such parent corporation, and such subject parent company shall remain the subject parent corporation of the issuer of such senior security for a period until such senior security is redeemed;
  - (2) The issuer of such senior security issues such senior security based on instruction or decision of the subject parent company, and carries out investment in securities issued by such subject parent company (including securities issued by a subsidiary corporation as prescribed in (4) and any other securities deemed appropriate by the Exchange), and does not substantially carry out business activities;
  - (3) The subject parent company reasonably guarantees profit distribution money, redemption money and amount of payment at the time of liquidation pertaining to such senior security; and
  - (4) Where the subject parent company establishes its subsidiary corporation other than the issuer of such senior security for the purpose of issuing such senior security, such subsidiary corporation shall meet the criteria enumerated in (1) to the preceding (3).

**(Viewpoints of Public Interest or Protection of Investors)**

3. Listing examination shall be carried out concerning the matters deemed necessary from the viewpoint of the public interest or the protection of investors.

**VII. Examination Pertaining to Application for Initial Listing of ETFs**

**(Listing Examination Pertaining to Application for Initial Listing of ETFs)**

1. Examination as prescribed in Rule 1104, Paragraph 1, Item 2, Sub-items d and d-4 of the Regulations shall be carried out pursuant to the provisions of this VII.

**(Computation Method of Indicators)**

2. Examination of matters as prescribed in (a) under Sub-item d, Item 2, Paragraph 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoints referenced in the following (1) and (2) and other viewpoints:
  - (1) The fact that there is only small room for fluctuation of the value of an indicator at an arbitrary discretion of the computation entity, etc. of an indicator, and transparency of the method of computation of an indicator is deemed to be high for investors;
  - (2) The fact that the method of computation of an indicator is not deemed to lack in

fairness from the viewpoint of the protection of investors.

**(Comprehensive Level of Prices of Many ETFs)**

3. Examination of matters as prescribed in (b) under Sub-item d of Item 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoint that fluctuations of prices of individual component issues do not have a major effect on the value of an indicator on the basis of the number of component issues and the weight of the upper component issues in the indicator and other viewpoints.

**(Criteria and Method of Alteration of Component Issues of Indicator)**

4. Examination of matters as prescribed in (c) under Sub-item d of Item 2 of Paragraph 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoint that criteria and method of changing component issues of an indicator are not deemed to lack in fairness from the protection of investors, and other viewpoints.

**(Publication of Indicators and Their Method of Computation)**

5. Examination of the matters as prescribed in (d) under Sub-item d, Item 2, Paragraph 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoints referenced in (1) and (2) and other viewpoints;
  - (1) The summary of indicators and their computation method is publicized continuously by an easily available method;
  - (2) Indicators shall be publicized promptly after computation.

**(Publication of Component Issues)**

6. Examination of matters as prescribed in (e) under Sub-item d, Item 2, Paragraph 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoint that component issues (if they may change, including the criteria and method) of indicators are continuously publicized by an easily available method.

**(Smooth Trading of Component Issues)**

7. Examination of matters as prescribed in (f) under Sub-item d of Item 2 of Paragraph 1 of Rule 1104 of the Regulations shall be carried out by examining from the viewpoint that trading in securities or commodities whose trading is necessary to be carried out smoothly for the purpose that the rate of fluctuation of net assets per unit conforms to the rate of fluctuation of an indicator is estimated to be carried out smoothly in the light of the actual situation of trading, and other viewpoints.

**(Smooth Transactions Relating to Derivatives Trading or Commodity Investment, etc. Trading)**

8. Examination of matters prescribed in Rule 1104, Paragraph 1, Item 2, Sub-item d (g) of the Regulations shall be carried out from such viewpoints as whether it is expected that

transactions are conducted smoothly in the light of actual situations of transactions with regard to rights pertaining to derivatives transactions prescribed in Article 2, Paragraph 20 of the Act or rights pertaining to commodity investment, etc. transactions which need to be traded smoothly in the light of the purpose of making the fluctuation ratio of the net asset amount per unit correspond to the fluctuation ratio of the indicator.

**(Credit Risk)**

9. Examination on matters prescribed by Rule 1104, Paragraph 1, Item 2, Sub-item d-4 shall be carried out from the viewpoints referenced in the following (1) and (2) as well as other viewpoints.
  - (1) In light of matters referenced in the following a. through d., it is deemed that there are no specific circumstances which are likely to disturb continuation of fund management after listing.
    - a. No note as to any issue of the going concern assumption is included in the most recent financial statements, etc. or interim financial statements, etc. which are prepared by an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or counterpart to a contract (in cases where there is a guarantor for said security or contract, it shall be said guarantor.)
    - b. An unqualified opinion or an opinion stating that interim financial statements, etc. provide useful information from a certified public accountant, etc. are included in an audit report or interim report in the most recent financial statements, etc. or interim financial statements, etc. which are prepared by an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or counterpart to a contract (in cases where there is a guarantor for said security or contract, it shall be said guarantor.).
    - c. An issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or counterpart to a contract (in cases where there is a guarantor for said security or contract, it shall be said guarantor.) is not in excessive liabilities at the end date of the latest specified period or business period.
    - d. No other specific factors which are likely to disturb continuous asset management exist.
  - (2) Based on matters referenced in the following a. through e. and other matters, it is deemed that the management company has developed management systems for credit standing, etc. of an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or counterpart to a contract and other appropriate management systems.
    - a. The management company has developed appropriate criteria for selecting an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or counterpart to a contract.
    - b. Details of rights of a security issued for the purpose of achieving investment performance linked to a specified indicator or details of rights pertaining to a

contract are appropriate in the context of their selection criteria.

- c. The management company has developed appropriate management systems for financial condition, etc. of an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or a counterpart to a contract.
- d. The management company has developed measures to reduce possibility of damages to investment trust assets, etc. due to bankruptcy, etc of an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or a counterpart to a contract.
- e. In cases where the management company or its related party disseminates information on an issuer of a security issued for the purpose of achieving investment performance linked to a specified indicator or a counterpart to a contract, contents of said information and the dissemination method shall be appropriate.

## **VIII. Initial Listing Examination of Real Estate Investment Trust Securities**

### **(Listing Examination Pertaining to Initial Listing Application of Real Estate Investment Trust Securities)**

1. Listing examination of real estate investment trust securities as prescribed in Rule 1206, Paragraph 1 of the Regulations shall be carried out pursuant to the provisions of this VIII.

### **(Appropriateness of Disclosure)**

2. Listing examination concerning the matters as prescribed in Rule 1206, Paragraph 1, Item (1) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints;
  - (1) Documents pertaining to disclosure of information concerning real estate investment trust securities, out of the initial listing application documents, shall appropriately contain the matters which may have a material effect on investment decisions of investors; and
  - (2) An entity who has applied for initial listing of a real estate investment trust security shall have a system which conducts timely and appropriate disclosure of information of facts, etc. which will have a material effect on asset management, etc.

### **(Soundness of Asset Management, etc.)**

3. Listing examination concerning the matters as prescribed in Rule 1206, Paragraph 1, Item (2) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) to (4) and other viewpoints:
  - (1) An entity who has applied for initial listing of a real estate investment trust security

has developed an appropriate system at the time of asset management, etc. in order not to damage benefits of investors or beneficiaries of an initial listing application security;

- (2) An entity who has applied for initial listing of a real estate investment trust security is recognized not to give or enjoy profit wrongfully through a trading act with the corporate group of a sponsor ((meaning a person who is involved in acquisition of managed assets and other management of assets, etc. pertaining to a security for which an initial listing application is made as a leading position, who are investors of a security for which an initial listing application is made, shareholders of investment management companies and other parties concerned pertaining to a security for which an initial listing application is made; the same shall apply hereinafter.) in light of the matters enumerated in the following a. and b. and other matters:
  - a. Where a transaction between an entity who has applied for initial listing of a real estate investment trust security and the corporate group of a sponsor has occurred, such transaction has rationality of continuing the transaction and reasonability of trading terms including trading prices; and
  - b. Benefits of the investors and beneficiaries of an initial listing application security are not possibly lost wrongfully because the corporate group of a sponsor gives priority to their own benefits;
- (3) The internal management system is recognized to be reasonably developed and operated in light of the matters enumerated in the following a and b and other matters so that an entity who has applied for initial listing of a real estate investment trust security can efficiently carry out asset management, etc.:
  - a. A necessary managerial and administrative body is developed and operated appropriately to secure the efficiency of management activities and the internal checking functions of the corporate group of an initial listing applicant; and
  - b. An internal auditing system of the corporate group of an initial listing applicant is developed and operated appropriately; and
- (4) An effective system to comply with laws and regulations, etc. is recognized to be developed and operated appropriately to carry out management activities and other matters in the corporate group of an initial listing applicant.

#### **(Continuity of Profits or Distribution of Money)**

4. Listing examination concerning matters as prescribed in Rule 1206, Paragraph 1, Item (3) of the Regulations shall be carried out from the viewpoint that distribution of money of the fund pertaining to such security is expected to be made by continuously owning real estates, etc. which are producing or are expected to produce rent business income, out of management assets, etc. (including real estates, etc. which are expected to be acquired within three (3) months after listing, where documents as prescribed in Rule 1205, Paragraph 2 of the Enforcement Rules are submitted), and other viewpoints.

**(Viewpoints of Public Interest or Investor Protection)**

5. Listing examination concerning the matters as prescribed in Rule 1206, Paragraph 1, Item (4) of the Regulations shall be carried out from the viewpoints enumerated in the following (1) and (2) and other viewpoints:
  - (1) The corporate group of an initial listing applicant of a real estate investment trust security is recognized to prepare an internal system to prevent criminal and extremist elements from being involved in management activities, and make efforts to prevent such involvement and their actual state is recognized as appropriate from the viewpoints of the public interest or the protection of investors; and
  - (2) It is deemed appropriate from the viewpoints of the public interest or the protection of investors.