

For Immediate Release

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Progress of (Change to) Plan to Meet the Prime Market Listing Criteria and Application for Listing on Standard Market and Compliance Status

On December 24, 2021, First Brothers Co., Ltd. (hereafter “the Company”) announced “Notice Regarding Application for Selection of Prime Market in TSE New Market Segments and Submission of Plan to Meet the Continued Listing Requirements.” On February 17, 2023, the Company disclosed progress on implementing the plan in an announcement entitled “Progress on Plan to Meet the (Prime Market) Continued Listing Requirements.”

In light of amended rules by the Tokyo Stock Exchange, Inc. (hereafter “TSE”), effective from April 1, 2023, the Company resolved at a Board of Directors meeting held today to apply for listing on the Standard Market and submitted an application to that effect. Reasons for selecting the Standard Market and status of the Company’s compliance to the continued listing requirements for the Standard Market are outlined below.

1. Background and rationale for market selection

The Company’s reasons for reselecting the Standard Market are as follows, based on the background and rationale for its initial application for the Prime Market, as well as “2. Status of compliance to the continued listing requirements for Prime Market and plan timeframe,” shown below.

(1) Background and rationale for initial Prime Market selection

When deciding whether to select the Prime Market or the Standard Market in connection with the April 2022 market segment restructuring by the TSE, the Company took the following into consideration: 1) Some board members took the view that the Company should choose the Standard Market because the information disclosure rules and governance structure required of a Prime Market company would potentially not suit the First Brothers Group corporate culture, which prefers to operate with comparatively few personnel; 2) However, the Group’s main business entails aggressively deploying financing, and it was not possible to rule out potential disadvantages due to shifting from the former First Section to the Standard Market, as the impact was difficult to predict at the time; 3) The Company decided that its plan to meet the continued listing requirements for the Prime Market (hereafter “initial plan”) would enable it to fulfil the requirements, and with no apparent strong reason not to, the Company selected the Prime Market after submitting the initial plan.

(2) Rationale for selecting Standard Market

In view of the revisions to transitional arrangements by the TSE in conjunction with its rule changes effective April 1, 2023, such as clarification of when the transitional arrangements would end, the Company revisited its reasons for having the Group listed on the Prime Market as follows. 1) The Company realized that there would be no impact on its business as there was no difference in evaluation by financial institutions and others due to listing on a different market; 2) Assuming the above was correct, the Company returned to the original discussion and came to the conclusion that the Standard Market was a more appropriate fit for the Group’s business and corporate culture, and resolved to select the Standard Market, while operating the business in a way to enhance corporate value in line with the initial plan.

2. Status of compliance to the continued listing requirements for Prime Market and plan timeframe

On February 17, 2023, the Company disclosed the status of its initiatives to comply to the continued listing requirements for the Prime Market as of November 30, 2022, in an announcement entitled “Progress on Plan to Meet the (Prime Market) Continued Listing Requirements.” The status and progress are shown in the table below (reproduced).

	Review reference date	Tradable shares (Units)	Tradable share market capitalization	Tradable share ratio	Daily average trading value
Company's compliance and changes	June 30, 2021 *1	38,339	¥3.86 billion	26.5%	¥38 million
	November 30, 2022 *1	38,699	¥3.33 billion	26.7%	—
	December 31, 2022 *2	—	—	—	¥23 million
Listing requirements		20,000	¥10.0 billion	35.0%	¥20 million
Compliance with listing requirements as of latest reference date		Compliant	Non-compliant	Non-compliant	Compliant
Target date as set out in initial plan			End of November 2026	End of November 2026	

*1 Compliance as of individual reference dates was calculated based on the distribution of the Company's share certificates, etc., ascertained by the TSE on the applicable date.

*2 Compliance with daily average trading value requirement as of December 31, 2022, is from the notification sent to the Company by the TSE regarding compliance with listing requirements (trading value requirement) on January 11, 2023.

3. Status of compliance to the continued listing requirements for Standard Market

The Company is compliant to all of the Standard Market continued listing requirements, including tradable share market capitalization and tradable share ratio, two items where the Company did not comply with the Prime Market continued listing requirements as of November 30, 2022, as shown in the table below.

Going forward, if the Company complies to all of the individual items in Standard Market continued listing requirements on the reference date, it will no longer be required to disclose its plan to meet the (Standard Market) continued listing requirements, so will not disclose the progress of the plan.

	Shareholders (Persons)	Tradable shares (Units)	Tradable share market capitalization	Tradable share ratio	Net asset value
Company's compliance (As of end of November 2022)	4,771	38,699	¥3.33 billion	26.7%	¥21.5 billion
Standard Market listing requirements	400	2,000	¥1.0 billion	25.0%	Positive net asset value

(Notes)

1. Compliance as of individual reference dates was calculated based on the distribution of the Company's share certificates, etc., ascertained by the TSE on the applicable date.

2. Net asset value was calculated by the Company as of the end of November 2022.

3. Average monthly trading volume was calculated by the Company, by dividing aggregate trading volume from December 2022 to May 2023 by 6 (months), and meets the Standard Market listing requirement of at least 10 units.

4. Planned date of transfer to Standard Market

The Company expects to transfer to the Standard Market on October 20, 2023. On that day, trading of the Company's shares will shift to the Standard Market, on which they will continue to be traded.

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