

Guidelines concerning Listed Company Compliance, etc. (as of January 15, 2024)

Tokyo Stock Exchange, Inc.

I. General Provisions

(Purpose, etc.)

1. These guidelines shall prescribe the items necessary for listed company compliance, etc. pursuant to the Securities Listing Regulations (hereinafter referred to as the "Regulations").
2. As a general rule, business related to listed company compliance, etc. shall be executed in accordance with these guidelines. The Exchange shall make efforts to conduct appropriate business operations as the individual case demands while maintaining a sufficient awareness of the fact that financial instrument exchange markets should facilitate fair and smooth securities trading and carry out operations to ensure that investors are protected.

(Definitions)

3. The definitions of terms related to securities listing, etc. used in these guidelines shall be as defined by the Regulations and the Enforcement Rules for the Securities Listing Regulations (hereinafter referred to as the "Enforcement Rules").

II. Examination Related to the Disclosure of Corporate Information

(Ensuring Appropriate Disclosure of Corporate Information)

1. Examinations related to the disclosure of corporate information pursuant to the provisions of Chapter 4, Section 2 of the Regulations (hereinafter referred to as "disclosure examination") shall be carried out with the goal of ensuring that listing companies disclose corporate information appropriately wherever the Exchange deems that an examination is necessary and appropriate for the said goal.
2. Disclosure examinations shall be carried out in light of the following (1) to (5) concerning disclosure of material corporate information:
 - (1) Whether or not the timing of disclosure is appropriate;
 - (2) Whether or not the details of disclosed information are false;
 - (3) Whether or not disclosed information lacks information deemed important for investment decisions;
 - (4) Whether or not disclosed information gives rise to misunderstandings for investment decisions; and
 - (5) Whether or not disclosed information lacks appropriateness of disclosure.

III. Examination Pertaining to Ensuring Effectiveness

(Designation as Security on Special Alert, etc.)

1. Designation as Security on Special Alert pursuant to the provisions of Rule 503, Paragraph 1 of the Regulations in the cases referred to in the following (1) to (5) shall be made in

comprehensive consideration of the matters prescribed in such (1) to (5) and any other circumstances:

(1) A case referred to in Rule 503, Paragraph 1, Item 1 of the Regulations

The details, the background, the cause, and the actual state of affairs relating to the event that the Exchange deems likely to fall under Rule 601, Paragraph 1, Item 6 or Item 10 a. of the Regulations (excluding cases where a listed company has committed a material breach as to matters taken on oath in the Written Oath submitted pursuant to the provisions of Rule 204, Paragraph 1 of the Regulations, Rule 210, Paragraph 1 of the Regulations, Rule 216, Paragraph 1 of the Regulations, Rule 301, Paragraph 3 of the Regulations or Rule 306, Paragraph 4 of the Regulations (including cases where those provisions apply mutatis mutandis pursuant to Rule 310, Paragraph 2 of the Regulations or Rule 603, Paragraph 4 of the Regulations), or, Item 19 or Item 20 of the same paragraph (including cases based on Rules 602, Paragraph 1, Item 5 of the Regulations or Paragraph 2, Item 3 of the same rule);

(2) A case referred to in Rule 503, Paragraph 1, Item 2 of the Regulations

Matters prescribed in the following a. and b.;

- a. The period, amount of money, actual state, and impact on stock prices pertaining to false statements or adverse opinion, etc., in securities reports, etc.
- b. The act, involvement of company-related parties, and development and administration of internal management system that are causes of false statements or adverse opinion, etc., in securities reports, etc.,

(3) A case referred to in Rule 503, Paragraph 1, Item 3 of the Regulations

Matters prescribed in the following a. to c.;

- a. The importance of information timely disclosed for investment decisions
- b. The background, cause, and circumstances of a listed company that violated the provisions of Chapter 4, Section 2 of the Regulations
- c. State of compliance in the past with the provisions of Chapter 4, Section 2 of the Regulations

(4) A case referred to in Rule 503, Paragraph 1, Item 4 of the Regulations

Matters prescribed in the following a. and b.;

- a. The background, cause, and circumstances of a listed company that violated the provisions of Chapter 4, Section 4, Sub-section 1 of the Regulations; and
- b. Past state of compliance with the provisions of Chapter 4, Section 4, Sub-section 1 of the Regulations

(5) A case referred to in Rule 503, Paragraph 1, Item 5 of the Regulations

Matters prescribed in the following a and b;

- a. The details, the background, the cause, and the actual state of affairs relating to the event on which the Exchange requests submission of an improvement report pursuant to the provisions of Rule 504, Paragraph 1 or 2 of the Regulations (including cases where those provisions apply mutatis mutandis pursuant to Rule 505, Paragraph 7 of the Regulations), or Rule 505, Paragraph 6 of the Regulations; and
- b. The state of implementation and operation of improvement measures described in an improvement report submitted pursuant to the provisions of Rule 504, Paragraph 3 of the Regulations (including cases where those provisions apply mutatis mutandis pursuant to Rule 505, Paragraph 7 of the Regulations)

2. Examination of an internal management system, etc. as prescribed in Rule 503, Paragraphs 3, 6, and 10 of the Regulations shall be made in comprehensive consideration of the matters equivalent to the provisions of II 3., II 4., II 5., III 3., III 4., III 5., IV 2., IV 3., or IV 4. of the Guidelines Concerning Listing Examination, etc. (including the state of compliance with the provisions of Part 2, Chapter 4 of the Regulations after designation as Securities on Special Alert and the state of development and operation of the system to ensure said compliance) and any other circumstances:

(Request for Improvement Report)

3. Decision on whether or not to request an improvement report pursuant to the provisions of Rule 504, Paragraph 1 of the Regulations in the cases referred to in the following (1) and (2) shall be made in comprehensive consideration of the matters prescribed in the said cases and any other circumstances:
 - (1) A case referred to in Rule 504, Paragraph 1, Item 1 of the Regulations
 - a. Materiality of information made public as timely disclosure, etc., as information relating to investment decisions;
 - b. The background, the cause, and the actual state of affairs relating to said violation of the provisions of Chapter 4, Section 2 by a listed company; and
 - c. The state of past compliance, etc. with the provisions of Chapter 4, Section 2.
 - (2) A case referred to in Rule 504, Paragraph 1, Item 2 of the Regulations
 - a. The background, the cause, and the actual state of affairs relating to said violation of the provisions of Chapter 4, Section 4, Sub-section 1 by a listed company; and
 - b. The state of past compliance, etc. with the provisions of Chapter 4, Section 4, Sub-section 1.

(Measures against Violation of Timely Disclosure Obligations)

4. In the case of a violation by a listed company of the provisions of Chapter 4, Section 2 of the Regulations, a decision on disclosure pursuant to the provisions of Rule 508, Paragraph 1 of the Regulations, as well as a decision on whether or not to impose the listing agreement violation penalty pursuant to the provisions of Rule 509 of the Regulations, shall be made in comprehensive consideration of the matters referred to in the following (1) to (3) and any other circumstances.
 - (1) Materiality of information made public as timely disclosure, etc., as information relating to investment decisions;
 - (2) The background, the cause, and the actual state of affairs relating to said violation of the provisions of Chapter 4, Section 2 by a listed company; and
 - (3) The state of implementation measures such as a regulatory action taken by the Exchange in response to said violation.

(Measures against Violation of Code of Corporate Conduct)

5. In the case of a violation by a listed company of the provisions of Chapter 4, Section 4, Sub-section 1 of the Regulations, decisions on public announcement pursuant to the provisions of Rule 508, Paragraph 1 of the Regulations, as well as decisions on whether or not to impose a listing agreement violation penalty pursuant to the provisions of Rule 509 of the Regulations, shall be made in comprehensive consideration of (i) the matters

prescribed in the classifications referred to in the following (1) to (8) and (ii) the details, the background, the cause, and the actual state of affairs relating to said violation, as well as the state of implementation of measures such as a regulatory action taken by the Exchange in response to said violation and any other circumstances.

(1) The provisions of Rule 432 of the Regulations

The state of implementation and contents of the proceedings taken prescribed in the provisions of each item of Rule 432 of the Regulations;

(2) The provisions of Rule 433 of the Regulations

The ratio of stock split, etc., the investment unit after completing stock split, etc. and any other circumstances regarding the stock split, etc.;

(3) The provisions of Rule 434 of the Regulations

The exercise terms, the quantity to be issued, the scale of dilution, the contents of the measures taken in relation to the monthly exercise quantities with regard to MSCB, etc.;

(3)-2 The provisions of Rule 436-2 of the Regulations

The status of a person(s) who is reported to the Exchange as being an independent director(s)/auditor(s) by the issuer of a listed domestic stock pursuant to the provisions of Rule 436-2 of the Enforcement Rules when such person falls under any of the following a. to d.;

a. A person for which said company is a major client or an executive of an entity for which said company is a major client, or a person who is a major client of said company or an executive of an entity which is a major client of said company;
;

b. A consultant, accounting professional or legal professional who receives a large amount of money or other assets from said company, in addition to their remuneration as a director or company auditor (if the entity receiving said assets is an organization such as a corporation or partnership, a person who belongs to said entity);

c. A person who recently fell under the above a. or b.;

c-2. A person who fell under the following (a) or (b) at any time during the ten (10) years before assuming the position of independent director/auditor;

(a) An executive of the parent company of said company (including non-executive directors, and, if an outside company auditor is designated as an independent director/auditor, including company auditors); or

(b) An executive of a sister company of said company.

d. A close relative of a person referred to in any of the following (a) to (f) (excluding those deemed as unimportant persons);

(a) A person referred to in the preceding a. through c-2.;

(b) An accounting advisor of said company (limited to cases where an outside company auditor has been designated as an independent director/auditor, and including employees designated to perform the accounting advisor's duties if the accounting advisor is a corporation; the same shall apply hereinafter);

(c) An executive of a subsidiary of said company (including, in cases where an outside company auditor is designated as an independent director/auditor, directors or accounting advisors who are not executives);

- (d) An executive of the parent company of said company (including non-executive directors, or, in cases where an outside company auditor is designated as an independent director/auditor, including company auditors);
 - (e) An executive of a sister company of said company; or
 - (f) A person who recently fell under (b) or (c) or was recently an executive of said company (in cases where an outside company auditor is designated as an independent director/auditor, including non-executive directors).
- (3)-3 The provisions of Rule 439 of the Regulations
- The state of development and state of operation of the necessary system and structure for ensuring the appropriateness of company business and business of a corporate group comprising said company and its subsidiaries, and the state of damage to investor confidence in the financial instruments market;
- (4) The provisions of Rule 440 of the Regulations
- The contents of takeover defense measures and the state of their disclosure;
- (5) The provisions of Rule 441 of the Regulations
- The state of disclosure of measures to ensure fairness and prevent a conflict of interest described in disclosure regarding public announcement of opinions in relation to a takeover bid or presentation of such opinions to shareholders as defined in Rule 441 of the Regulations;
- (6) The provisions of Rule 442 of the Regulations
- The state of development of the information management system required for the prevention of insider trading;
- (7) The provisions of Rule 443 of the Regulations
- The state of development of the internal system for the prevention of involvement of anti-social forces; and
- (8) The provisions of Rule 444 of the Regulations
- The state where the function of the secondary market or shareholder rights are undermined.

IV. Examination Pertaining to Delisting

(Inappropriate Mergers, etc.)

1. Examination of whether or not a listed company is a substantial surviving company as prescribed in Rule 601, Paragraph 1, Item 5 of the Regulations shall be made in comprehensive consideration of matters referred to in the following (1) to (5) concerning said listed company (including its corporate group except in (3) and (4)):
 - (1) Operating results and financial condition;
 - (2) Composition of the management and organization of the business administration (including the locations of business offices);
 - (3) Composition of shareholders;
 - (4) Trade name or corporate name; and
 - (5) Other matters deemed to have potent influence on such listed company.

(Undermining of Soundness of Transactions with Controlling Shareholder)

2. Examination of whether or not a transaction falls under a case where the Exchange deems that the soundness of the transaction with the controlling shareholder is severely undermined as prescribed in Rule 601, Paragraph 1, Item 6 of the Regulations shall be carried out, where the Exchange deems necessary and appropriate in light of investor protection, in comprehensive consideration of the reasonability of the transaction with the controlling shareholder as prescribed in Rule 601, Paragraph 6, Item 3 of the Enforcement Rules and the appropriateness of the transaction terms, and any other circumstances.

(False Statement or Adverse Opinion, etc.)

3. Examination of whether it is clearly difficult to maintain order in the market is difficult if the listed company is delisted immediately as prescribed in Rule 601, Paragraph 1, Item 8 of the Regulations shall be carried out in comprehensive consideration of false statements or the period, amount of money, actual state, and impact on stock prices concerning adverse opinion, etc. in securities reports, etc.

(Security on Special Alert , etc.)

4. Examination referred to in the following (1) through (4) as prescribed in Rule 601, Paragraph 1, Item 9 of the Regulations shall be carried out in comprehensive consideration of matters prescribed in said (1) through (4) and other circumstances.
 - (1) Examination of whether the internal management system, etc. is unlikely to be adequately developed and whether it is unlikely to be adequately implemented as prescribed in Rule 601, Paragraph 1, Item 9, a. of the Regulations
Level of investigation into the fact, presence of a policy to consider preventive measures, and actual state of disclosure of such matters and feasibility of the policy
 - (2) Examination of whether the internal management system, etc. is no longer likely to be adequately developed and whether it is no longer likely to be adequately implemented as prescribed in Rule 601, Paragraph 1, Item 9., b. of the Regulations
Implementation progress of improvement plans, and if a part of improvement plans are not yet implemented, the cause and the actual state of affairs, and whether or not there are specific and effective action plans pertaining to said incomplete part and reasonability of the action plans
 - (3) Examination of whether the internal management system, etc. is not adequately developed and whether it is no longer likely to be adequately implemented as prescribed in Rule 601, Paragraph 1, Item 9, c. and d. of the Regulations
Matters specified in III 2. and the preceding (2)
 - (4) Examination of whether the internal management system, etc. is not deemed to be adequately developed and implemented as prescribed in Rule 601, Paragraph 1, Item 9, e., f., and g. of the Regulations
Matters specified in III 2.

(Violation of Listing Agreements, etc.)

5. Examination of the significance of a violation as prescribed in Rule 601, Paragraph 1, Item 10, a. of the Regulations shall be carried out in comprehensive consideration of the details of the violation of the listing agreement, the background and cause of said violation, the

state of affairs, and other circumstances related to the violation.

(Breach as to Matters taken on Oath in Written Oath pertaining to Application for Initial Listing, etc.)

6. Examination of whether or not a listed company falls under a case where the Exchange deems that an applicant has not met the initial listing criteria, criteria pertaining to listing of new stocks, etc. or criteria pertaining to transfer of market segments prescribed in Rule 601, Paragraph 1, Item 10, b. of the Regulations, or a case where the Exchange deems that examination on whether or not an applicant has met the criteria specified in the enforcement rules is unnecessary shall be carried out in consideration comprehensively of the details of violations against matters taken on oath in the Written Oath, the background of said violation, the cause and the actual state of affairs, and other circumstances.

(Unreasonable Restriction on Shareholders' Rights)

7. Examination of whether or not a listed company falls under a case where the Exchange deems that there is only a small likelihood of infringing interests of shareholders and investors as prescribed in Rule 601, Paragraph 12, Item 3 of the Enforcement Rules shall be carried out in comprehensive consideration of matters referred to in the following (1) to (4) and other conditions:
- (1) Business purpose of the company;
 - (2) Purpose of issuing class shares with a veto;
 - (3) Details of shareholders and/or investors rights; and
 - (4) Attributes of persons eligible for allotment.
8. Examination of whether or not a listed company falls under a case where the Exchange deems that there is only a small likelihood of infringing interests of shareholders and investors as prescribed in Rule 601, Paragraph 12, Item 4 of the Enforcement Rules shall be carried out in comprehensive consideration of matters referred to in the following (1) to (4) and other conditions:
- (1) Business purpose of the company;
 - (2) Purpose of such alteration;
 - (3) Details of matters with respect to which the exercise of voting rights is restricted; and
 - (4) Conditions for exercising voting rights.
9. Examination of whether or not a listed company falls under cases where the Exchange deems that it is highly likely to infringe interests of shareholders and investors as prescribed in Rule 601, Paragraph 12, Item 5 of the Enforcement Rules shall be carried out in comprehensive consideration of matters referred to in the following (1) to (4) and other conditions:
- (1) Business purpose of the company;
 - (2) Purpose of issuing such shares;
 - (3) Number of shares to be issued and the number of voting rights pertaining to such shares; and
 - (4) Attributes of persons eligible for allotment and their relationship with such listed company.
10. Examination of whether or not a listed company falls under cases where the Exchange deems that there is only a small likelihood of infringement of interests of

shareholders and investors as prescribed in Rule 601, Paragraph 12, Item 6 of the Enforcement Rules shall be carried out in comprehensive consideration of the purpose of the said third-party allotment, attributes of persons eligible for allotment, the state of implementing procedures pertaining to the alteration in the total number of authorized shares, and other conditions.

11. Examination of whether or not a listed company falls under a case where the Exchange deems that it is highly likely to infringe interests of shareholders and investors as prescribed in Rule 601, Paragraph 12, Item 7 of the Enforcement Rules shall be carried out in comprehensive consideration of matters referred to in the following (1) to (3) and other conditions:

- (1) Number of shareholders who will lose their voting rights;
- (2) Purpose of the reverse stock split; and
- (3) Number of shareholders who are cashed out.

(Involvement of Anti-Social Forces)

12. Examination of whether or not the actual situation of a listed company falls under a case where the Exchange deems to severely damage shareholder and investor confidence in the market of the said Exchange as prescribed in Rule 601, Paragraph 1, Item 19 of the Regulations shall be carried out in comprehensive consideration of; (i) the details of the fact that the company is subject to involvement of anti-social forces; (ii) the background, and the cause of events relating to the said involvement; (iii) the state of development of the internal system for the prevention of involvement of anti-social forces; (iv) the state of the loss of confidence of investors in the financial instruments market; (v) other matters requiring special consideration related to the case, and (vi) other circumstances.

(Public Interest and Protection of Investors)

13. Examination of whether or not the Exchange deems that a listed company falls under cases where delisting is appropriate for the public interest and the protection of investors as prescribed in Rule 601, Paragraph 1, Item 20 of the Regulations shall be carried out in comprehensive consideration of the circumstances of how the case has impaired investors' confidence in the financial instruments market, other matters requiring special consideration related to the case, and any other circumstances.

(Examination on false statements or adverse opinion, etc.)

14. In cases where a listed company falls under the provisions of Rule 503, Paragraph 1, Item 2, a. or b. of the Regulations, the Exchange shall conduct combined examinations of III 1. (2) as well as IV 3. and 4. (1).

(Examination on violation against written oath pertaining to application at time of initial listing, etc.)

15. In cases where a listed company has violated the matters in the Written Oath (meaning a written oath submitted pursuant to the provisions of Rule 204, Paragraph 1 of the Regulations, Rule 210, Paragraph 1 of the Regulations, Rule 216, Paragraph 1 of the Regulations, Rule 301, Paragraph 3 of the Regulations or Rule 306, Paragraph 4 of the Regulations (including cases where those provisions apply mutatis mutandis pursuant to

Rule 310, Paragraph 2 of the Regulations or Rule 603, Paragraph 4 of the Regulations) pertaining to an initial listing application, a listing application of a new stock, etc. or an application for transfer of market segments, the Exchange shall conduct combined examinations of IV 5. and 6.

V. Remarks

(Provisions Applied Mutatis Mutandis)

This guideline shall apply mutatis mutandis to examinations pertaining to the appropriateness of disclosure of corporate information, examinations pertaining to ensuring effectiveness, and examinations pertaining to delisting related to listed preferred stocks, etc., listed senior securities, listed preferred equity investment securities, listed bonds, listed convertible bonds, listed exchangeable corporate bonds, listed ETNs, listed ETFs, listed REITs, listed venture funds, listed country funds, and listed infrastructure funds.

Supplementary Provision

The revised rules shall be implemented on March 13, 2023.

Supplementary Provision

The revised rules shall be implemented on January 15, 2024.