

Revisions to Listing Rules in Accordance with Revision of Quarterly Disclosure System in Connection with Amendments to the Financial Instruments and Exchange Act and Other Changes

December 18, 2023  
Tokyo Stock Exchange, Inc.

I. Purpose

In line with the enactment of the "Act Partially Amending the Financial Instruments and Exchange Act, etc." (Act No. 79 of 2023, hereinafter referred to as the "Amended FIEA") in November 2023, quarterly securities reports for the first and third quarters will be "integrated" into the quarterly earnings report. In addition, Tokyo Stock Exchange, Inc. (TSE) published its "Practical Policy Concerning the Revision of the Quarterly Disclosure System" in November 2023, based on the consideration of the "Council of Experts Concerning the Revision of the Quarterly Disclosure System," in order to realize practical operations in line with specific directions for the integration indicated in the reports by the Financial System Council's Working Group on Corporate Disclosure, which were published in June and December 2022. Based on these policies, TSE will develop the necessary listing rule framework for the revisions of the quarterly disclosure system and other changes.

II. Outline

Item	Details	Remarks
1. Revision of Quarterly Disclosure System (1) Handling of Quarterly Earnings Reports (a) Matters to be disclosed	<ul style="list-style-type: none"> <li>• For disclosure of financial results from quarterly cumulative periods (excluding from the second quarter), at least the following matters shall be disclosed in the</li> </ul>	<ul style="list-style-type: none"> <li>– Under the current quarterly earnings report, TSE requests listed companies to disclose only the matters for which speedy disclosure is valued, to</li> </ul>

Item	Details	Remarks
	<p>quarterly financial statements or consolidated quarterly financial statements (hereinafter referred to as the "Quarterly Financial Statements").</p> <ol style="list-style-type: none"> <li>a. Quarterly consolidated balance sheet</li> <li>b. Quarterly consolidated profit and loss statement and quarterly statement of consolidated comprehensive income or quarterly consolidated profit and loss and comprehensive income statement</li> <li>c. Notes concerning going concern assumption</li> <li>d. Notes in the event of significant changes in shareholders' equity</li> <li>e. Notes concerning changes in accounting policies, changes in accounting estimates, and restatements of financial statements</li> <li>f. Notes concerning entry under accounting methods specific to the preparation of quarterly consolidated financial statements</li> <li>g. Notes concerning segment information</li> <li>h. Notes concerning cash flow (excluding cases where quarterly consolidated cash flow statements are voluntarily disclosed)</li> </ol>	<p>form a preliminary report to the quarterly securities report. However, with quarterly securities reports being discontinued, TSE will now require listed companies to disclose certain matters in order to ensure a minimum level of disclosure. Please note that the current handling will be maintained for quarterly earnings reports concerning the second quarterly cumulative period.</p> <ul style="list-style-type: none"> <li>▪ With regards to the preparation method of Quarterly Financial Statements, "Standards for Preparation of Quarterly Financial Statements" will be stipulated as an appendix to the Enforcement Rules for Securities Listing Regulations.</li> <li>▪ Quarterly Financial Statements shall be prepared in accordance with and referencing quarterly accounting standards along with other relevant rules and guidelines, and items other than those listed on the left may be omitted.</li> <li>▪ Other notes on preparation shall be specified in the "Guidelines for Preparation of Earnings Reports and Quarterly Earnings Reports."</li> </ul>

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<p>(b) Review by Certified Public Accountant or Audit Firm</p>	<ul style="list-style-type: none"> <li>• As a general rule, reviews by a certified public accountant or audit firm (hereinafter referred to as a "CPA") for Quarterly Financial Statements concerning quarterly cumulative periods (excluding the second quarter) shall be optional.</li> <li>• As an exception, if any of the following conditions are applicable, Quarterly Financial Statements for quarterly cumulative periods (excluding the second quarter) which are disclosed at the time or after the relevant condition becomes applicable shall be reviewed by a CPA.               <ul style="list-style-type: none"> <li>a. Where an audit opinion (conclusion of review) other than an unqualified opinion (unqualified conclusion) has been issued for the most recent annual securities report, semiannual securities report, or quarterly earnings report (if reviewed)</li> <li>b. Where an audit opinion other than an unqualified opinion has been issued for the most recent internal control audit report</li> <li>c. Where, in the most recent internal control report, there was a significant deficiency in the internal controls system that warranted disclosure</li> <li>d. Where the most recent annual securities report or</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- This rule introduces a requirement for reviews by CPAs only where ensuring the reliability of financial statements is considered necessary.</li> <li>• Items a. and c. on the left include cases where the most recent annual securities report, semiannual securities report, quarterly earnings report (if reviewed), or internal control report is amended and the condition applies to the amended report.</li> <li>• Items d. and e. on the left exclude cases where TSE deems that the reliability of financial statements is not in question.</li> <li>• If an annual securities report or internal control report submitted after a condition started to apply is then found to not fall under any of the conditions a. through d., the review obligation will cease to apply.</li> <li>• When a listed company undergoes a review on Quarterly Financial Statements for a quarterly cumulative period (excluding the second quarter), said review shall be performed by the same CPA that performs audit certification for</li> </ul>

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<p>(2) Ensuring Effectiveness of the Listing Rules</p> <p>(a) Investigation and Report of Results by Listed Companies</p>	<p>semiannual securities report was not submitted by the initial deadline</p> <p>e. Where the semiannual securities report for the current period has been amended and a review report attached to the amended financial statements</p> <p>▪ If TSE deems it necessary, it may require a listed company to conduct necessary investigations and report the results of the investigation to TSE.</p>	<p>the annual and semiannual financial statements, and a review report shall be attached to said Quarterly Financial Statements which is prepared based on the results of a review that is conducted in accordance with generally accepted auditing standards.</p> <p>▪ For listed foreign companies whose semiannual securities reports are not required to undergo a review by a CPA, in consideration of this handling, the review obligation indicated on the left will not be applied.</p> <p>– With the discontinuation of quarterly securities reports, TSE will make necessary revisions from the viewpoint of ensuring the effectiveness of its listing rules.</p> <p>– TSE expects to apply this rule in cases such as where there are suspicions of accounting irregularities.</p> <p>▪ Where TSE deems it necessary and appropriate for the results of such an investigation to be disclosed, the listed company shall disclose said</p>

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<p>(b) Strengthening Information Sharing with CPAs</p>	<ul style="list-style-type: none"> <li>• When TSE deems it necessary, for the purposes of the measures to ensure effectiveness, to request a CPA who performs audit certification or similar (including those who have previously been CPAs performing these functions) to provide explanations or other information regarding a particular issue, the listed company shall cooperate in this process.</li> </ul>	<p>results immediately.</p> <ul style="list-style-type: none"> <li>- From the viewpoint of strengthening cooperation with CPAs and establishing a mechanism for TSE to identify the basic facts of accounting irregularities at an early stage, the scope of the obligation of listed companies to cooperate when TSE requests a CPA to provide explanations or other information regarding a particular issue shall be expanded from the current rule, which applies to cases in which TSE deems such a request necessary to decide the appropriateness of delisting.</li> </ul>
<p>(c) Additional Grounds for Designation as Security on Special Alert</p>	<ul style="list-style-type: none"> <li>• Regarding the situations that can be grounds for designation as a Security on Special Alert, TSE will newly include cases where a review report is attached to the Quarterly Financial Statements regarding a quarterly cumulative period and said review report contains a "negative conclusion" or "conclusions are not expressed."</li> </ul>	<ul style="list-style-type: none"> <li>- Under the current listing rules, a listed security can be designated as a Security on Special Alert when a quarterly review report as required under the FIEA contains a "negative conclusion" or "conclusions are not expressed," so TSE will add the situation indicated on the left in line with the discontinuation of the quarterly securities report.</li> <li>• TSE may designate a listed company as a Security</li> </ul>

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(3) Other	<ul style="list-style-type: none"> <li>• TSE will make necessary revisions in line with the discontinuation of quarterly securities reports.</li> </ul>	<p>on Special Alert when the situation on the left is applicable and TSE deems that there is a high necessity to improve said company's internal management systems or other aspects.</p> <ul style="list-style-type: none"> <li>• TSE will make revisions including the removal of quarterly securities reports from the definition of "annual securities report, etc." under the listing rules (Rule 2, Item 89 of the Securities Listing Regulations) as well as revising the listing rules which specify the handling of quarterly securities reports by replacing the term "quarterly securities report" with "semiannual securities report."</li> <li>• TSE will also make necessary revisions regarding initial listing applications, including to the documents to be submitted.</li> </ul>
<p>2. Other</p> <p>(1) Revision of the Term "Anti-Takeover Measures"</p>	<ul style="list-style-type: none"> <li>• The term "anti-takeover measures" will be revised to either "takeover response policies" or "countermeasures against acquisitions".</li> </ul>	<ul style="list-style-type: none"> <li>– The current term comes from the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" published</li> </ul>

Item	Details	Remarks
(2) Other	<ul style="list-style-type: none"> <li>• TSE will make other necessary revisions.</li> </ul>	<p>by the Ministry of Economy, Trade and Industry and the Ministry of Justice in 2005, but TSE will now use the terms included in the "Guidelines for Corporate Takeovers" published in August 2023.</p> <ul style="list-style-type: none"> <li>▪ In light of the fact that the approach presented in said guidelines encompasses both the "normal phase" and "emergent phase" of a takeover, as defined in the guidelines, TSE will include measures adopted in an emergent phase in the scope of application of "Matters to be Observed Pertaining to Introduction of Takeover Defense Measures" in the Code of Corporate Conduct (Rule 440 of the Securities Listing Regulations).</li> <li>– Even under the present practice, confirmation regarding takeover defense measures adopted in an emergent phase has been conducted in accordance with the items to be confirmed pursuant to said rule, and therefore the revisions described on the left will not change this practice.</li> </ul>

### III. Implementation Schedule (Planned)

- The revisions will be implemented on the implementation date of the amended FIEA.
- Item 1 (1) will apply to quarterly earnings reports for quarterly accounting periods (excluding the second quarter) beginning on or after the implementation date.

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