CHAPTER XVII

The Information Disclosure System and Investor Protection

1. The Information Disclosure System in the Securities Market

When listing securities on a financial instruments market established by a stock exchange, the issuer of the securities is required by the Financial Instruments and Exchange Act and by the rules of the stock exchange to disclose information concerning certain aspects of its business. Such rules are called disclosure requirements, and they consist of statutory disclosure rules under the Financial Instruments and Exchange Act and the timely disclosure required by the securities exchanges.

There are four types of statutory disclosure that the issuers of securities are required to make: (1) issuance disclosure, which requires companies to disclose information concerning certain matters when they publicly offer securities on the primary market; (2) periodic disclosure, which requires companies whose securities are listed and traded on the securities market to disclose information concerning certain matters on a continuing and regular basis; (3) tender offer disclosure; and (4) large volume holding disclosure (shareholdings of 5% or more). Timely disclosure, which is required by stock exchanges, obliges companies to continuously disclose their information after listing their securities. The type of information required is classified by subject into (1) information on listed companies; (2) information on subsidiaries, etc.; and (3) other information, such as supplemental information on majority shareholders, etc. Information is broadly categorized by type into (1) corporate decisions, (2) events and (3) information on financial results. At present, both statutory and timely disclosures are made via an electronic disclosure system using the internet. Statutory disclosure is made via the EDINET (Electronic Disclosure for Investors' NETwork) while timely disclosure is made using the TDnet (Timely Disclosure network).

Companies that are required to make issuance disclosure and periodic disclosure are also required by the Companies Act to disclose certain information. The disclosure of accounting documents required to be made by the Companies Act is aimed at protecting the interests of shareholders and credi-

Chart XVII-1. The Scheme of the Disclosure System on the Securities Market

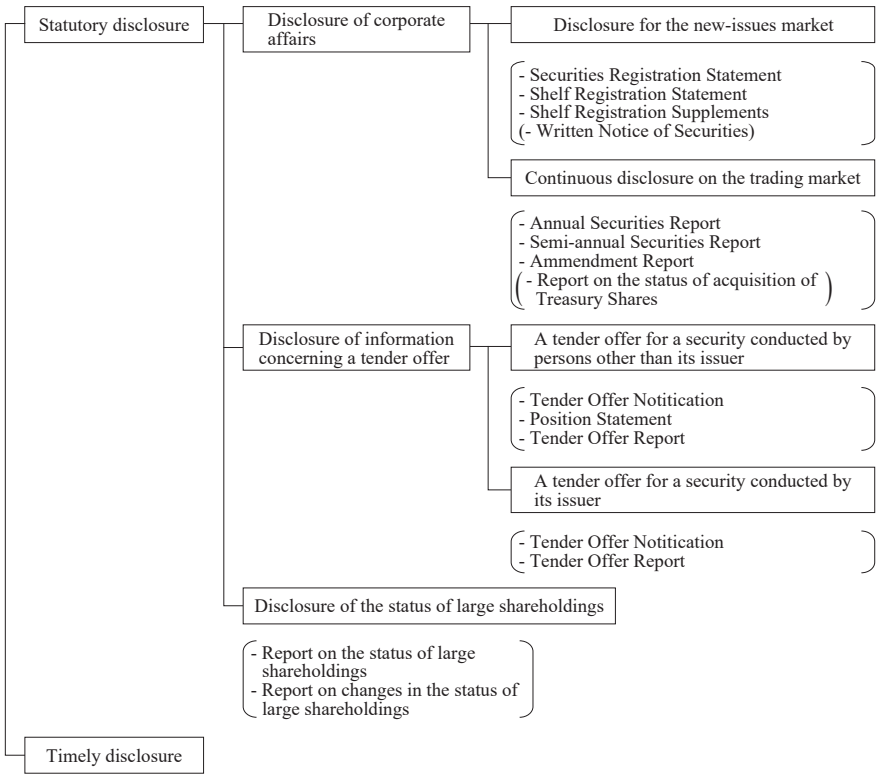


Table XVII-1. Disclosure Systems under the Companies Act and under the Financial Instruments and Exchange Act

Disclosure System under the Financial Instruments and Exchange Act		Disclosure System under the Companies Act
Furnishing information necessary for investors to make an investment judgment	Purpose of disclosure	Report on profits available for dividends and the company's capacity for offering security for loans (solvency)
Investors (including those who are not shareholders of the company at a given time)	Targets for which the disclosure is intended	Shareholders and creditors
Providing disclosure through EDINET and stock exchanges, replying to investor requests for disclosure	Method of disclosure	making of financial documents, keeping of such documents at the head office, and publication of a summary of annual settlement of accounts

tors and at regulating the amount that can be paid in dividends. In contrast, disclosures required to be made under the Financial Instruments and Exchange Act and under exchanges' regulations are designed to disclose information concerning the state of business of listed companies to help the investors to make informed and reasonable investment decisions.

2. Disclosure of Corporate Affairs under the Financial Instruments and Exchange Act

Issuance Disclosure

When a company publicly offers, or makes a secondary distribution of, securities whose aggregate value is ¥100 million or more, the issuer of such securities must, in principle, file a securities registration statement with the Prime Minister. Information at issuance is disclosed through the filing of the securities registration statement, etc. The securities registration statement must contain (1) matters pertaining to the offering or secondary distribution, and (2) information relating to the issuing company (the same information as that contained in the annual securities report described below). In addition, when a securities company solicits investors for the purchase of newly issued securities, it is required to provide investors with a prospectus that sets out information related to the issue that enables them to assess its value and to make an informed investment decision.

Periodic Disclosure

Issuers of securities listed on stock exchanges must file an annual securities report with the Prime Minister for each business year within three months after the expiration of the business year. The annual securities report constitutes the main document of statutory disclosure for the secondary market. More specifically, it must provide (1) key information on the issuer (such as trends in key management indicators and history), (2) situation of the issuer's business (including management policy, business environment, issues to be addressed, approach to sustainability, business risks, etc.), (3) information on the operational status of the issuer (details of shares issued, corporate governance, etc.), and (4) the financial position of the issuer. In addition, companies that are subject to periodic disclosure requirements must file half-yearly reports within 45 days of the end of the half year, and, if necessary, extraordinary reports and reports on treasury share purchases.

Issuers in the financial instruments market are expected to make full disclosure of all information necessary for investment decisions to ensure that fair prices are formed for their securities. If they fail to disclose information that is unfavorable to them, the prices of their securities will be formed on

Table XVII-2. Statutory Disclosure Documents Required to be Filed

Classification		Documents filed	Cases requiring the filing of documents (a summary)
Disclosure of corporate affairs, etc.	Issuance Disclosure	Securities Registration Statement	If a company issuing new shares or making a secondary distribution of shares through an offering whose total issuing or secondary distribution price is ¥100 million or more plans to solicit 50 or more investors for the purchase of its new shares or plans to sell to or solicit 50 or more investors for the secondary distribution on uniform terms and conditions, it must file a registration statement. * Small amount offering: In the case of a company issuing new shares or making secondary distribution of shares through an offering whose total issuing or secondary distribution price is less than ¥500 million the contents of the securities registration statement required to be filed by such company are simplified. * Incorporating system: A company that has been filing Annual Securities Reports continuously for one year may substitute the information therein and in the quarterly securities reports other than matters relating to the offering or secondary distribution of securities for securities registration statement securities report and quarterly securities reports filed in its place. * Reference system: When transactions of issued securities fulfill certain requirements of the securities market with which the issuer has been filing Annual Securities Reports for a year and the issuer's corporate information has broadly been disclosed, the description that one should refer to the last Annual Securities Reports, etc., may be substituted for a securities registration statement concerning matters other than the offering or secondary distribution of securities.
		Shelf Registration Statement	When any issuer who is authorized to file a securities registration statement under the reference system plans to issue new shares or make a secondary distribution of shares through an offering whose total issuing or secondary distribution prices are ¥100 million or more, such issuer may in advance file a shelf-registration statement of its shares.
		Shelf Registration Supplement	When a shelf-registration statement of a security is in effect, and when the issuer of such security plans to issue new shares or make a secondary distribution of shares whose total issuing or secondary distribution prices are ¥100 million or more, such issuer is required to file supplementary documents relating thereto.
	Periodic disclosure	Annual Securities Report	Any of (1) the issuer of securities listed on a stock exchange; (2) the issuer of securities stipulated by cabinet order as that similar to distribution conditions in (1); (3) the issuer of securities who is required to file a securities registration statement when it issues new shares or makes a secondary distribution of shares through an offering; or (4) the issuer of securities the number of whose owners was 1,000 or more at the end of any of the latest five years (excluding certain cases), is required to file a securities report.
		Semiannual Securities Report	Of the companies required to submit Annual Securities Reports, the issuers of securities listed on stock exchanges or stipulated by cabinet order as being similar in terms of distribution conditions must file quarterly securities reports.
		Extraordinary Report	If any material fact has occurred in a company submitting Annual Securities Reports.
		Share Buyback Report	Any issuer of a security listed on a stock exchange or stipulated by cabinet order as being similar in terms of distribution conditions and that has passed a resolution at a general meeting of its shareholders or at a board of directors' meeting to acquire its own shares must file this report.

the basis of an erroneous assessment of their value that does not reflect such withheld information. This is why the law requires the issuers of securities to periodically disclose all pertinent information, good or bad, in their annual securities reports, and why it contains penal provisions to discipline issuers who file an annual securities report containing false statements.

3. Other Disclosures to Be Made under the Financial Instruments and Exchange Act

Disclosure Relating to a Tender Offer

The act of soliciting an unspecified large number of persons through a public notice for an offer to purchase or to sell shares and of purchasing such shares off the exchange is called a "tender offer." If any person other than the issuer who is required to file an annual securities report proposes the purchase of such shares outside the market of a stock exchange, and in cases that fall within the purview of certain requirements, such as the purchase will result in the ownership of more than 5% of the securities, etc., the person must purchase such shares through a tender offer. The tender offeror is obligated to issue a public notice of (1) the purpose of the tender offer; (2) the purchase price; (3) the number of shares to be purchased; (4) the period during which shares will be purchased; and (5) other items stipulated in other Cabinet Office Ordinances ("public notice for commencing tender offer") and must also file a tender offer notification with the Prime Minister. In addition, the tender offeror must, on the day immediately following the end of the tender offer, issue a public notice or make an announcement disclosing the number of shares tendered, the number of shares purchased, and the method of settlement and file with the Prime Minister a tender offer report providing information on this.

The purpose of the regulations on tender offers is to ensure transparency and fairness in off-exchange transactions when transactions that affect control of a company take place, by requiring advance disclosure of information to investors and providing shareholders with an equal opportunity to sell their shares.

Disclosure of Status of Large Volume Holding of Share Certificates, etc.

When the number of shares of a listed company held by a person exceeds 5% of its outstanding shares (large-volume holders), such person is required to file a Report of Possession of Large Volume with the Prime Minister within five days (excluding Sundays and other holidays as may be stipulated by cabinet order) from the date when such person's holding rate is above 5% (called the "5% rule"). The Report of Possession of Large Volume must fur-

Table XVII-3. Transitions in Tender Offer Bid (TOB) System

	Major Developments
1971	• Public tender offer system introduced
1990	• Principles set down for forcing tender offers • Percentage share offer that triggers obligation to make tender offer decreased (from 10% to 5%) • Prior notification system abolished • Duration of offer extended • Shareholders' withdrawal rights expanded
2001	• Along with the deregulation, in principle, of purchasing treasury shares, system for making tender offers for a company's own shares introduced
2003	• Scope of acquisitions exempt from the TOB system enlarged
2004	• TOBs restricted to companies with equity securities • Electronic notification system introduced
2005	• ToSTNeT transactions made independent of market transactions
2006	• Disclosure for TOBs upgraded (purpose of acquisition, basis of price calculation, disclosure for MBOs) • Regulations implemented concerning the combined acquisition of shares on and offmarket • Obligating a third party posessing a large stake in a company to make a TOB, if the party increases its posession during the TOB period • Acceptance for lowering TOB price when share split occurs • Reasons for withdrawing TOB expanded • Obligating targeted company to submit a Position Statement • Obligating the offeror to answer targeted company's questions (reply to submitted questions) for the purpose of submitting a Position Statement • Calculation of duration of TOB set using business days • Targeted company allowed to demand extension of TOB period • Obligating the offeror to acquire all tendered shares
2008	• Specified listed securities added to securities eligible for TOBs • Monetary surcharge system introduced regarding TOB rules
2024	• Expansion of transactions subject to tender offer requirements (including on-market transactions executed during trading hours) • Lowering the threshold for the post-acquisition shareholding ratio that triggers a mandatory tender offer (33.33%→30%) • Regulations on combined purchases of trades both on and off the exchange have been abolished

nish information concerning (1) matters relating to the ratio of shares held by such person, (2) matters relating to the funds used by such person to purchase such shares; and (3) the purpose for which such person has acquired such shares. When the percentage of shareholdings of such person who must submit the report increases or decreases by 1% or more, such person must file a Change Report indicating the change that has occurred in the percentage of

such person's holdings of such shares. This disclosure is required because the actions of a single person holding a large volume of shares can have a significant impact on the formation of stock prices at the market.

4. Timely Disclosure System of Financial Instruments Exchanges (Stock Exchanges)

As described at the start of this chapter, stock exchanges require listed companies to disclose corporate information by their rules. For example, the Tokyo Stock Exchange stipulates in its Listing Rules that listed companies shall, in a timely manner, disclose information that may influence investors' investment decisions and specifies the matters to be disclosed and procedures for disclosing such matters (see Table XVI-4). Listed companies need to disclose both the resolutions and decisions adopted by their executive body promptly after such resolutions or decisions were adopted and any incidents caused by external factors at the time the companies had learned of such incidents.

Promptness is a feature of timely disclosure. For example, stock exchanges require listed companies to disclose their financial results immediately after their determination. In response, listed companies disclose earnings reports (*kessan tanshin*) according to the given format. The earnings report carries more weight in terms of helping investors to learn about financial results because it is released earlier than the annual securities report.

In addition, listed companies are obliged to provide accurate information in response to inquiries from stock exchanges immediately if required and to disclose the details of such information immediately when the stock exchanges deem it necessary and proper. For example, if there is a report or rumor regarding corporate information but the accuracy of such information is unconfirmed, the stock exchange concerned may make a query to the company about the accuracy of this information and require the company to disclose the response to this query.

The Tokyo Stock Exchange has put in place a system for issuing alerts to investors if it identifies any unclear piece of information about a listed company that could have a material impact on investors' investment decisions and the listed company requires time before providing proper disclosure regarding this information or when the information that can be disclosed immediately is limited, the TSE issues an alert to investors.

Table XVII-4. Main Points of Corporate Information Required by Timely Disclosure (in the case of the Tokyo Stock Exchange)

1. Decisions by Listed Companies	1. Offering of new shares to be issued, treasury shares to be disposed of, issued subscription Rights/warrants, or offering to entities who will subscribe to treasury subscription rights/warrants to be disposed of, or a secondary distribution of shares or subscription rights/warrants 2. Shelf-registration and the commencement of a demand survey 3. Decrease in amount of capital 4. Decrease in amount of capital reserve or profit reserve 5. Acquisition of one's own stock 6. Gratis allotment of shares or gratis allotment of subscription warrants 7. Shelf-registration concerning gratis allotment of subscription rights/warrants or commencement of a demand survey or a survey on intention to exercise the warrants 8. Share split or reverse share split 9. Dividend from surplus 10. Organizational restructuring such as mergers, etc. 11. Takeover bid or take over bid for own shares 12. Announcement of opinions about a takeover bid, etc. 13. Transfer or acquisition of all or part of a business 14. Dissolution (excluding dissolution by means of merger) 15. Commercialization of a new product or new technology 16. Business alliance or dissolution of business alliance 17. Transfer or acquisition of shares or equity interest accompanied by a change in a subsidiary or other matters accompanied by a change in a subsidiary 18. Transfer or acquisition of fixed assets, lease of fixed assets 19. Suspension or abolishment of all or part of a business 20. Application for delisting 21. Petition for commencement of bankruptcy, commencement of rehabilitation proceedings, or commencement of reorganization proceedings 22. Commencement of a new business 23. Change in representative directors or representative executive officers 24. Rationalization such as personnel reduction 25. Entering into a loan agreement subject to financial covenants, issuing corporate bonds subject to financial covenants, or amending the terms of financial covenants, etc. 26. Change in a trade name or a corporate name 27. Change in the number of shares for a share unit of a stock, or abolition/introduction of provisions for the number of shares for a share unit 28. Change in accounting period (change in the end date of the business year) 29. Petition to the Prime Minister stating an excess of liabilities or possibility of the halt of repayment of deposit, etc. (petition under the provisions of Article 74, Paragraph 5 of the Deposit Insurance Act) 30. Petition for mediation in accordance with specified mediation procedures pursuant to the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. 31. Early redemption of listed bonds, etc., the convocation of bondholders' meetings, or other important matters relating to rights relating to listed bonds, etc. 32. Change in certified public accountants, etc. 33. Putting notes on matters related to the going concern assumption 34. Submission of application for approval of deadline extension for submission of annual securities report or semi-annual securities report 35. Cancellation of entrustment of shareholding services to a shareholding service proxy institution 36. Submission of internal control reports containing content to the effect that there is a material deficiency or that the evaluation result cannot be stated 37. Amendment to the articles of incorporation 38. Acquisition of all classified stocks subject to whole acquisition clause 39. Approval or rejection of a special controlling shareholder's request for sale of shares, etc. 40. Other important matters related to listed company operations, business, assets, or listed company stock certificates, etc.
2. Facts which Occurred for a Listed Company	1. Damage arising from a disaster or in the performance of its operations 2. Change in major shareholders or the largest shareholder 3. Fact which causes delisting 4. Filing of a lawsuit or a court decision 5. Petition for a provisional disposition or decision on such petition, etc. 6. Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency 7. Change in a parent company, change in controlling shareholders (excluding a parent company) or change in other related company 8. Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, or execution of enterprise mortgage 9. Dishonor of a bill or check or suspension of trading by a clearing house 10. Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, or execution of enterprise mortgage pertaining to a parent company, etc. 11. Default on obligations or delay in collection 12. Suspension of trade with a business partner 13. Financial support, such as exemption of obligations 14. Discovery of natural resources 15. Special controlling shareholder's request for sale of shares, etc. 16. Claim for suspension of issue of stock or subscription rights/warrants 17. Demand for convocation of a general shareholders meeting 18. Unrealized loss of securities held 19. Acceleration of obligations pertaining to a corporate bond 20. The occurrence of an event specified in the financial covenants of a loan agreement subject to such covenants 21. Convocation of a bondholders' meeting for a listed bond, etc. and other important facts pertaining to rights of a listed bond, etc. 22. Change in certified public accountants, etc. 23. Delay in submission of annual securities report or the semi-annual securities report 24. Approval, etc. of deadline extension for submission of the annual securities report or the semi-annual securities report 25. The fact that an audit report attached to financial statements, etc. contains an "adverse opinion", "opinions are not expressed", or a "qualified opinion" with making issues concerning a going concern assumption as exceptions 26. An internal control audit report contains an "adverse opinion" or the fact that "opinions are not expressed" 27. Receipt, etc. of a notice of canceling a shareholder services agent agreement 28. Other important matters related to operation, business or assets of such listed company or related to a listed stock certificates, etc.
3. Listed Company Earnings Information	1. Earnings reports (kessan tanshin), quarterly earnings reports (shihanki kessan tanshin) 2. Amendments to performance estimates, differences in estimates and earnings results 3. Amendments to dividend estimates, revision of estimates, etc.

Note: In addition to the above, listed companies are required to disclose important decisions and new developments related to subsidiaries and other matters relating to controlling shareholders, etc.

Source: Tokyo Stock Exchange, *Securities Listing Requirements, Guidebook for the Timely Disclosure of Corporate Information*.

5. Ensuring the Appropriateness of Information Disclosure

In order to ensure the effectiveness of the Listing Rules, including the rules on timely disclosure, stock exchanges may implement prescribed measures against violations, such as when the disclosed information contains false statements or when there is a violation of requirements set forth in the Code of Corporate Conduct. These measures to ensure effectiveness are classified into two categories: improvement measures and penalties. The former requires the listed company to make improvements while the latter imposes a penalty on the listed company.

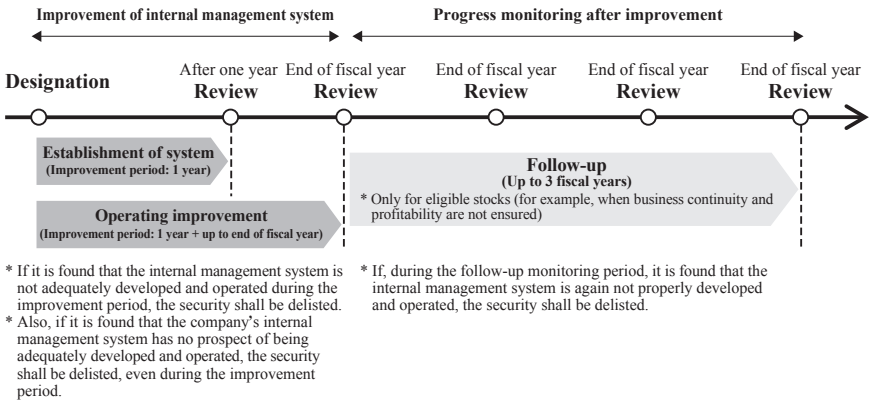
Improvement measures are categorized into designation as a security on special alert and the submission of an Improvement Report/Improvement Status Report. For example, if a listed company has made a false statement in its annual securities report or similar document, and the stock exchange recognizes that there is an urgent need for the company to make improvements to its internal management system, the listed company is designated as a security on special alert. In cases of designation as a security on special alert, the designation will, in principle, be lifted if the TSE finds that the internal management system has been appropriately established and is being operated effectively within the prescribed improvement period. However, the stock will be delisted if it is not determined that such systems have been appropriately established and are being operated effectively within that period, or if there is no longer a prospect of them being appropriately established and operated. In addition, in cases where the company has not ensured business continuity and profitability, the designation will remain in place for up to three business years even after improvements have been made to monitor progress, and the status of establishment and operation of the internal management system will be monitored on a continuous basis. If it is determined that maintaining market order would be difficult unless the listing is immediately revoked, the stock in question is delisted without receiving a designation as a security on special alert.

Meanwhile, if the stock exchange finds that there is a strong need for a listed company to make improvements even when the status of the listed company does not indicate the need for designation as a security on special alert, which can lead to possible delisting, the stock exchange may require the listed company to submit an Improvement Report containing the circumstances behind the violation and improvement measures. The listed company that has submitted the Improvement Report must submit an Improvement Status Report detailing the status of implementation and operation of improvement measures in a timely way after six months have passed since the submission of the initial Improvement Report. The Improvement Report and

Table XVII-5. Measures to ensure effectiveness

○ Penalty measures • Public Announcement Measure • Penalty on breach of the listing agreement	○ Improvement measures • Improvement Report, Improvement Status Report • Designation as Security on Alert

Chart XVII-2. Flow from designation as security on special alert to cancellation of designation



the Improvement Status Report submitted by the listed company concerned are made available for public inspection on the website of the stock exchange.

Meanwhile, penalties are categorized into either penalty fines for a breach of the listing agreement or public announcement measures. Depending on the degree of damage to shareholders' and investors' trust in the market, a judgment will be made on whether to apply a penalty fine for a breach of the listing agreement, which is a more severe measure.

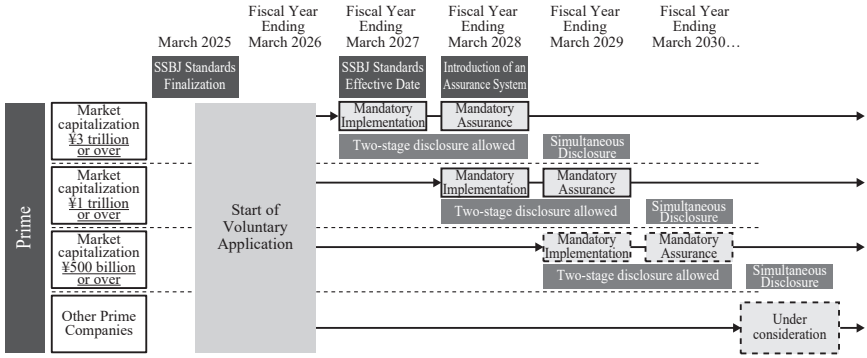
6. Recent Developments in Information Disclosure

Enhancing disclosure of sustainability information

Initiatives related to sustainability have recently become a central theme in corporate management in terms of increasing corporate value over the medium to long term, and investor interest in these initiatives is increasing worldwide.

In response to this trend, the Corporate Governance Code was revised in

Chart XVII-3. Timeline for the Implementation of Sustainability Disclosure Standards



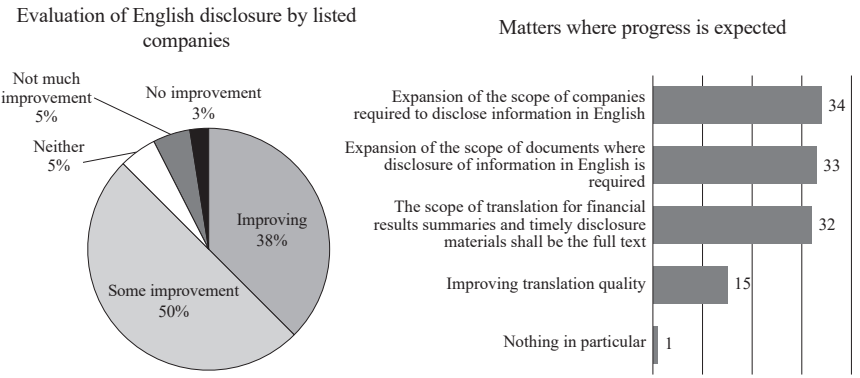
Source: Prepared by the Tokyo Stock Exchange based on the FSA's "Announcement Regarding the Publication of the Interim Summary of Issues by the Financial System Council's 'Working Group on the Disclosure and Assurance of Sustainability Information'".

Table XVII-6. Regulations Regarding English-Language Disclosures on the Prime Market

Target		Contents	Positioning
Financial results	• Financial Results Announcements and Quarterly Financial Results Announcements • Supplementary Materials for Financial Results	• Simultaneously with the disclosure in Japanese • While simultaneous disclosure of all documents and all text is preferred, disclosure of a portion or summary of the Japanese-language documents in English is also acceptable.	Obligation Code of Corporate "Conduct Matters to be observed"
Timely Disclosure Information	• All Timely Disclosure Items		
Additional Information	• Notice of Meeting • Report on Corporate Governance • Annual Securities Report etc.	• To the extent possible, disclose the same content in English at the same time as the disclosure in Japanese.	Best effort obligation Code of Corporate Conduct "Matters desired to be observed"

June 2021 and established a new principle that requires companies to make appropriate disclosure of their sustainability initiatives. In January 2023, the Cabinet Office Ordinance on Disclosure of Corporate Affairs was revised to add a new section in the annual securities report and other securities statements stating the company's "approach and initiatives to sustainability" and to require the disclosure of indicators such as the ratio of female managers in

Chart XVII-4. Overseas investor survey on English-language disclosure



Source: Tokyo Stock Exchange, "Results of the 2023 Survey of Overseas Investors on English Disclosure by Japanese Companies" (September 2025).

the "Information on Employees" section.

In 2024, the "Working Group on Disclosure and Assurance of Sustainability-related Financial Information" of the Financial Systems Council held discussions regarding the effective date and scope of the disclosure standards established by the Sustainability Standards Board of Japan (SSBJ). For companies listed on the Prime Market, it was decided that disclosure of sustainability information in accordance with the SSBJ Standards should be mandatory in annual securities reports for companies with a market capitalization of ¥3 trillion or more from the fiscal year ending March 2027 onwards, and for companies with a market capitalization between ¥1 trillion and ¥3 trillion from the fiscal year ending March 2028 onwards. Furthermore, to ensure the reliability of disclosed information, third-party assurance is required starting from the year following the implementation of the disclosure requirements. Discussions regarding the remaining issues, including whether to make this mandatory for companies with a market capitalization of less than ¥1 trillion and, if so, when, are scheduled to continue within the working group (as of October 2025).

Enhanced English-language disclosure

In light of growing calls for enhanced English-language disclosure, against the backdrop of increased stock trading and holdings by foreign investors, the Tokyo Stock Exchange made English-language disclosure mandatory for the Prime Market from April 2025. This rule mandates the simultaneous disclosure of financial results and timely disclosure information in both Japa-

nese and English, while requiring companies to endeavor to disclose other documents in both languages as well. As a result, more than 90% of companies, excluding those granted a grace period (up to one year), have in principle started to disclose information simultaneously in Japanese and English.

While this has been well-received with approximately 90% of overseas investors, who have noted that information asymmetry has been resolved to a certain extent, there have also been calls to promote English-language disclosures for companies listed outside the Prime Market and to further expand the scope of documents subject to disclosure. The Tokyo Stock Exchange will continue to conduct ongoing reviews, taking into account investor feedback and the status of companies' initiatives, to enhance the quality of English-language disclosures.