

Summary of Issues for the Improved Operations of EDINET (An Outline)

I. Quick screening of reports subject to investigation

【 Enhancement of the system's checking functions 】

- ◆ Revising the submission system to enable the selection of reports subject to investigation through the IT system

The current text-based forms should be transformed to a method that employs logical checking in order to enable selection of the reports to be examined through the IT system (e.g., the fill-in-form method)

« Expected effects of system improvements »

- Effective use of analytical indicators (e.g., the types of submitters, holding ratios, and frequency of submissions) to select the reports to be given priority in examination.
- Enhancement of the format-checking function to verify that there are no errors, such as missing information (e.g., automatic searches for inconsistency in the provided information), etc.

- ◆ Quick notification of results of selection through the IT system
(e.g., pop-up notifications to the staff in charge of examinations)

※ The introduction of a system to improve and enhance the understanding of submitters' information and to periodically reconfirm login information will strengthen the checking functions of the IT system.

⇒ The introduction of the new system will reduce the workload at the local finance bureaus, which is required to deal with errors in the forms, and ensure the efficient allocation of human resources for more substantive examinations.

II. Response after finding reports subject to investigation

【 Improvement of investigation system for prompt response 】

- ◆ Speedier investigations through, *inter alia*, references to the concerned stockbrokers, etc.

The system will request submitters to write down the names of the stockbrokers, etc.

concerned in large shareholding reports (these names will not be released to the public).

- ◆ Establishment of a framework for investigations through the Japan Securities Depository Center, Inc.

【 Establishment of a network for cooperation with relevant organizations 】

- ◆ Establishment of a network for communication and cooperation with relevant organizations (stock exchanges, the Japan Securities Dealers Association, overseas authorities, and foreign stock exchanges)

※ The stock exchanges may suspend sales whenever necessary, after they receive information from the local finance bureau, etc., regarding the findings of the reports subject to investigations. Therefore, frequent exchanges of information and close cooperation are considered necessary.

【 Creation of a new reminder system by the authorities 】

- ◆ Quick issuance of reminders for investors and issuers by the Financial Service Agency, local finance bureau, etc.

※ Reminders should be provided:

1. When the reports are located through a system check and verified as those that require further investigation by the local finance bureau, etc. (finding of reports subject to investigation); and/or
2. When an administrative order to submit a correction report is issued

(When an investigation requires a certain amount of time, an additional reminder may be provided when there is a high probability of a false statement being issued (between 1 and 2).)

※ When a reminder is to be posted on the front page of EDINET, it is necessary to exercise caution not to cause misunderstandings among investors and issuers.

III. Swift administrative response

- ◆ Avoidance of misunderstanding and confusion among investors and issuers based on documents with false statements

It is necessary to consider appropriate measures, including statutory ones, in order to

enable the authorities concerned to take the following measures in order to protect the interest of the public and investors, when necessary:

1. Attaching important reference information on the disclosed documents on EDINET, for example, that an order has been issued to submit a correction report.
2. Allowing the authorities concerned to withhold the submitted documents from public viewing, in whole or in part, as an exceptional measure, when an order to submit a correction report is issued.

◆ Greater variety of measures to deter violations

It is necessary to make efforts to impose administrative monetary penalties on any false statements included in large shareholding reports and on failure to submit such reports.