

RULES CONCERNING OVER-THE-COUNTER SECURITIES

(March 15, 2005)

CHAPTER I. GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Over-the-Counter Securities (hereinafter referred to as “Rules”) is to ensure fair and smooth Over-the-Counter transactions in Over-the-Counter securities (excluding Green Sheet issues as prescribed in Article 2, Item 5 and Phoenix issues as prescribed in Article 2, Item 6 (hereinafter referred to as the “Green Sheet Issues, etc.”); the same shall apply hereinafter, except for Articles 2 and 5) and thereby contribute to the investor protection.

(Definitions)

Article 2 In these rules, the definition of the terms set forth in each of the following Items shall be prescribed therein:

- (1) Over-the-Counter Securities: Shares, share option certificates and bonds with share option, issued in Japan by Japanese corporations that are not listed on any Financial Instruments Exchange Markets.
- (2) Over-the-Counter Transactions: Sale and Purchase or other transactions of Over-the-Counter Securities conducted by a Regular Member on its own account or on a customer’s account.
- (3) Explanatory Note on Business Conditions: Explanatory materials that meet the requirements prescribed in Article 5 and are used by a Regular Member, or a Special Member or a Financial Instruments Intermediary Service Provider commissioned by the said Regular Member to carry out Financial Instruments Intermediary Service (a business related to the Financial Instruments Intermediary Service under the provisions of Article 3, Item 9 of the Articles of Association; the same shall apply hereinafter) in conducting its solicitation for investments.
- (4) Over-the-Counter Handled Securities: Among Over-the-Counter Securities, shares, share option certificates and bonds with share option (hereinafter referred to as “Shares, etc.”) issued by issuing companies which fall under any of the following:
 - (a) Issuing companies (limited to an issuing company all of whose financial statements and consolidated financial statements included in a Securities Report or Securities Registration Statement which is most recently submitted to the Prime Minister are accompanied by an audit report with an unqualified general opinion) that are liable to submit a Securities Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”);
 - (b) Issuing companies (limited to an issuing company whose share certificates and bonds with share options are de-listed by a Financial Instruments Exchange and whose financial statements and consolidated financial statements in the latest fiscal year that are included in a Securities Report or Securities Registration Statement which is most recently submitted to the Prime Minister are accompanied by an audit report with an unqualified general opinion) that are liable to submit a Securities Report pursuant to the provision of Article 24, Paragraph 1 of the FIEA;
 - (c) Issuing companies that prepare Explanatory Note on Business Conditions that fulfill the

requirements as set forth in Article 5, Items 1 through 4;

(d) Issuing companies that prepare Explanatory Note on Business Conditions that fulfill the requirements as set forth in Article 5, Items 1 through 3 and Item 5.

(5) Green Sheet Issues: Among Over-the-Counter Handled Securities, Green Sheet issues prescribed in Article 2, Item 5 of the “Rules Concerning Green Sheet Issues and Phoenix Issues” (hereinafter referred to as “Green Sheet, etc. Rules”).

(6) Phoenix Issues: Among Over-the-Counter Handled Securities, Phoenix issues prescribed in Article 2, Item 6 of the Green Sheet, etc. Rules.

CHAPTER II. PROHIBITION OF SOLICITATION FOR INVESTMENTS AND THE EXCEPTIONAL CASES

(Prohibition of Investment Solicitation for Over-the-Counter Securities)

Article 3 An Association Member must not solicit customers to invest in Over-the-Counter Securities, except in the cases under the provisions of Article 4, 6, or 8, the Rules Concerning Shareholders Community, or the Rules Concerning Equity-Based Crowdfunding Business.

(Investment Solicitation to Qualified Institutional Investors in Over-the-Counter Securities)

Article 4 Over-the-Counter Securities which an Association Member may solicit Qualified Institutional Investors (as prescribed in Article 2, Paragraph 3, Item 1, of the FIEA; the same shall apply hereinafter) to invest in must be those in which such member offers solicitation for investment only to such Qualified Institutional Investors on conditions that transfer restrictions should be imposed on the Over-the-Counter Securities they acquire.

2. Concerning the transfer restriction in the preceding Paragraph, the persons set forth below shall meet the following requirements.

(1) Qualified Institutional Investors who are counterparties of investment solicitation, if the investment solicitation falls under the cases set forth in Article 2, Paragraph 3, Item 2(a) of the FIEA (including the cases where investment is solicited for Over-the-Counter Securities for which investment solicitation at the time of issuance falls under the provision):

It shall meet the requirements prescribed in Article 1-4 of the Enforcement Ordinance of the FIEA;

(2) Qualified Institutional Investors who are counterparties of investment solicitation, if the investment solicitation falls under the cases set forth in Article 2, Paragraph 4, Item 2(a) of the FIEA (including the cases of investment solicitation of OTC securities if such investment solicitation falls under such cases) :

It shall meet the requirements prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA;

(3) Qualified Institutional Investors when such investment solicitation falls under the cases set forth in Article 2, Paragraph 3, Item 2(c) of the FIEA as a result of excluding the Qualified Institutional Investors from the calculated number prescribed in Article 1-5 of the Enforcement Ordinance of the FIEA due to the reason that such Qualified Institutional Investors who are counterparties for investment solicitation meet the conditions prescribed in Article 1-4 of the Enforcement Ordinance for the FIEA, and Qualified Institutional Investors who are counterparties for investment solicitation in Over-the-Counter Securities for which investment solicitation at the time of issuance falls under such cases:

It shall meet the requirements prescribed in Article 1-4 of the Enforcement Ordinance of the FIEA;

(4) Qualified Institutional Investors when such solicitation for sale, etc. as prescribed in Article 2, Paragraph 4 of the FIEA falls under the cases set forth in Article 2, Paragraph 4, Item 2(c) of the FIEA as a result of excluding the Qualified Institutional Investors from the calculated number prescribed in Article 1-8 of the Enforcement Ordinance of the FIEA due to the reason that such Qualified Institutional Investors who are counterparties for investment solicitation meet the conditions prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA, and Qualified Institutional Investors who are counterparties for solicitation for sale of Over-the-Counter Securities for which solicitation for sale falls under such cases:
It shall meet the requirements prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA;

(5) Qualified Institutional Investors other than those set forth in the preceding four Items:
It is prohibited from transferring Over-the-Counter Securities to anyone except Qualified Institutional Investors until the previous day of the lapse of 2 years from the day on which the Over-the-Counter Securities are listed on Financial Instruments Exchange Markets, designated as the Green Sheet Issues, or acquired, whichever is earlier; provided, however, that this shall not apply to cases where the transfer falls under either of the following cases, and when the transfer is deemed appropriate by an Association Member before such transfer:

- (a) In cases where an acquirer transfers the acquired Over-the-Counter Securities due to its significant financial difficulty; or
- (b) In cases where such transfer is deemed unavoidable judging from a commonly accepted idea.

3. In cases where the transfer restriction prescribed in Item 5 of the preceding Paragraph is imposed, an agreement including such contents shall be concluded between the Association Member and customers who are counterparties of the investment solicitation.

(Requirements for Explanatory Note on Business Conditions)

Article 5 Explanatory Note on Business Conditions shall be prepared by an issuing company, and shall meet the requirements prescribed in Items 1 through 4 or Items 1 through 3 and 5.

(1) If Over-the-Counter Securities are Shares, etc. (excluding non-listed Shares, etc. issued by a company issuing listed securities), this note shall be prepared based on the statement of “company information” in the Securities Report prescribed in the Cabinet Office Ordinance concerning Disclosure of Corporate Affairs and Other Related Matters; provided, however, that if the issuing company of Over-the-Counter Securities does not fall under the provision of Article 2, Item 4(a), the issuing company shall prepare the following, respectively, according to each of the cases below:

- (a) In the case where two (2) business years have not yet passed since the issuing company was established, financial statements or consolidated financial statements of its first year of operations and the summary of business plan and its feasibility statement shall be included in Explanatory Note on Business Conditions.
- (b) In the case where two (2) or more business years have passed since the issuing company was established, either of the following shall be included in Explanatory Note on Business Conditions:
 - (i) Financial statements or consolidated financial statements for the immediately preceding two business years; or
 - (ii) Financial statements or consolidated financial statements for the immediately preceding business year and the business plan and its feasibility statement, etc.

- (2) If Over-the-Counter Securities are non-listed Shares, etc. issued by a company issuing listed securities, the matters set forth below shall be included in Explanatory Note on Business Conditions. The matters set forth in (d) below may be substituted by including the latest Securities Report submitted to the Prime Minister by the issuing company:
- (a) Outline of the Shares, etc.;
 - (b) Characteristics different from the listed Shares issued by the issuing company;
 - (c) Risks in investing in the Shares, etc.;
 - (d) Statement to the effect that reference to the EDINET (electronic disclosure system for disclosure documents, such as Securities Reports and other documents based on the FIEA) shall be requested for information concerning the issuing company; and
 - (e) Any other matters deemed necessary in explaining the Over-the-Counter Securities.
- (3) Financial statements and consolidated financial statements shall be prepared in accordance with the terms, forms, and methods of preparation or financial documents, etc. prescribed by the Prime Minister in Cabinet Office Ordinances in accordance with accounting principles generally deemed fair and appropriate as prescribed in Article 193 of the FIEA, or in accordance with the Companies Accounting Rule.
- (4) Audits of financial statements and consolidated financial statements shall be conducted by a certified public accountant or an auditing corporation, pursuant to the FIEA, or audits of financial documents, etc. shall be conducted based on the Companies Act by a certified public accountant or auditing corporation or an equivalent audit shall be conducted, and audit reports with unqualified general opinions shall be attached to the included financial statements or consolidated financial statements, or the financial documents, etc.
- (5) An issuing company whose share certificates and bonds with share options are de-listed by a Financial Instruments Exchange, and the financial statements and consolidated financial statements of the issuing companies in the latest fiscal year shall be audited by a certified public accountant or auditing corporation pursuant to the FIEA, or its financial documents, etc. shall be audited by an accounting auditor based on the Companies Act or an equivalent audit shall be conducted, and an audit report with an unqualified general opinion shall be attached to the above financial statements or consolidated financial statements, or financial documents, etc.

(Investment Solicitation in Over-the-Counter Handled Securities)

Article 6 Investment solicitation in Over-the-Counter Handled Securities (excluding Green Sheet issues and Over-the-Counter Handled Securities that meet Article 2, Item 4(b) or (d); the same shall apply hereinafter) which an Association Member is allowed to solicit customers other than Qualified Institutional Investors for investment when dealing the Public Offering, Secondary Distribution (limited to those that require the preparation of the prospectus pursuant to Article 13, Paragraph 1 of the FIEA; the same shall apply hereinafter in this Paragraph) or Private Placement or Private Secondary Distribution (solicitation for sales that falls under either of Article 2, Paragraph 4, Item 2(a) to (c) of the FIEA; the same shall apply hereinafter) (hereinafter referred to as “Offering, etc.”), or engaging in Secondary Distribution or Private Secondary Distribution (hereinafter referred to as “Dealing, etc., of Offering, etc.”), shall be carried out on condition that transfer restrictions are imposed on the Over-the-Counter Handled Securities acquired through the Offering. Such securities shall be those of which the Association Member has notified the Association, and have to be deemed appropriate by the Association.

2. As for the transfer restrictions prescribed in the preceding Paragraph, the Over-the-Counter Handled Securities shall not be transferred to people other than the Qualified Institutional Investors until the previous day of the lapse of two years from the day on which they are listed on the Financial

Instruments Exchange Market, designated as the Green Sheet Issues or acquired, whichever is earlier; provided, however, that this shall not apply to cases where the transfer falls under either of the following cases, and when the transfer is deemed appropriate by an Association Member before such transfer:

(1) In cases where an acquirer transfers the acquired Over-the-Counter Handled Securities due to its significant financial difficulty; or

(2) In cases where such transfer is deemed unavoidable, judging from a commonly accepted idea.

3. If the transfer restrictions set forth in the preceding Paragraph are imposed, an agreement including such contents must be concluded among the Association Member, the issuing company of the Over-the-Counter Handled Securities, and customers who are the counterparties of such investment solicitation.

4. The notification prescribed in Paragraph 1 above must be made to the Association using the prescribed form no later than five business days prior to the day on which dealing, etc. of Offering begins. The notification by a Special Member that carries out dealing, etc. of Offering as its Financial Instruments Intermediary Service is not required if the Regular Member who commissions the Special Member to carry out the Financial Instruments Intermediary Service submits the notification on behalf of such Special Member.

(Investment solicitation in Over-the-Counter Handled Securities with Transfer Restrictions)

Article 7 An Association Member, when it carries out dealing of the Public Offering or Secondary Distribution, or Secondary Distribution of Over-the-Counter Handled Securities, in accordance with the provision of the preceding Article, for which a prospectus must be prepared and delivered pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA, must give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities and their issuing companies after delivering such prospectus in accordance with the provisions of the laws or regulations.

2. An Association Member, when it carries out dealing, etc. of Public Offering of Over-the-Counter Handled Securities (excluding those issued by an issuing company of listed securities and not listed on Financial Instruments Exchange Markets; the same shall apply hereinafter in this Paragraph), in accordance with the provision of the preceding Article, for which preparation and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA are not required, shall give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities and their issuing companies, using a Securities Report or Explanatory Note on Business Conditions which adds securities information of the Over-the-Counter Handled Securities for which the Offering is conducted based on the statement of “securities information” in the registration statement prescribed in the Cabinet Office Ordinance concerning Disclosure of Corporate Information, etc., in addition to the statement prescribed in Article 5 hereof.

3. An Association Member, when it carries out dealing, etc. of Public Offering of Over-the-Counter Handled Securities (limited to non-listed on Financial Instruments Exchange Markets which are issued by an issuing company of listed securities; the same shall apply hereinafter in this Paragraph), in accordance with the provision of the preceding Article, for which preparation and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2, of the FIEA are not required, must give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities using Explanatory Note on Business Conditions including the statement as prescribed in Article 5 hereof; provided, however, that the Association Member must fully explain the details of the issuing company using the latest Securities Report submitted by such company to the Prime Minister if an explanation about information concerning the issuing company is requested by the customer.

4. When a customer conducts the transaction of Over-the-Counter Handled Securities for the first time as a result of the investment solicitation conducted under the provisions of the preceding Article (except for the Professional Investors (Professional Investors that are prescribed in Article 2, Paragraph 31 of the FIEA (excluding those who are regarded as non-Professional Investors prescribed in the provisions

in Article 34-2, Paragraph 5 and including those who are regarded as Professional Investors prescribed in Article 34-3, Paragraph 4 of the Law (including cases where it is applied *mutatis mutandis* to Article 34-4, Paragraph 6)); the same shall apply hereinafter); the same shall apply hereinafter in this and next Paragraphs), an Association Member must make a full explanation of the characteristics, transaction structure, etc., on the Over-the-Counter Handled Securities to the customer, and collect a Confirmation letter concerning a transaction of Over-the-Counter Handled Securities to ensure that the transaction is conducted under the customers' judgment and responsibility.

5. Each time an Association Member accepts an order from its customer for a transaction of Over-the-Counter Handled Securities as a result of the investment solicitation conducted prescribed in the provision of the preceding Article, it must clearly specify that such securities are Over-the-Counter Handled Securities.

6. An Association Member, when it carries out dealing, etc. of Offering of Over-the-Counter Handled Securities prescribed in Paragraphs 1 and 2 hereof, must maintain a Registration Statement, prospectus, or Explanatory Note on Business Conditions concerning the Public Offering in its handling departments and branches (including departments and branches of a Special Member and a Financial Instruments Intermediary Service Provider entrusted by a Regular Member to carry out a Financial Instruments Intermediary Service), and make it available to customers.

(Investment Solicitation in Over-the-Counter Handled Securities that are Issued by an Issuer of the Listed Securities)

Article 8 When an Association Member intends to conduct the investment solicitation in Over-the-Counter Handled Securities that are issued by an issuer of the listed securities (excluding the Secondary Distribution that requires issuance and delivery of prospectus pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA; the same shall apply hereinafter in this Article), it shall prepare an explanatory document that describes matters set forth in Article 5, Item 2(a) to (e) (hereinafter referred to as "Explanatory document on securities information, etc."), deliver it to customers to whom the investment solicitation in such Over-the-Counter Handled Securities is to be conducted (excluding the Professional Investors and equivalent foreign corporations and other entities; the same shall apply hereinafter), and fully explain the details included in the document.

2. When a customer who conducts the transaction of Over-the-Counter Handled Securities issued by an issuer of the listed securities for the first time as a result of the investment solicitation conducted as prescribed in the preceding Paragraph, an Association Member shall make a full explanation of the characteristics, transaction structure, etc. on the Over-the-Counter Handled Securities to the customer; and collect Confirmation letter concerning the transaction of Over-the-Counter Handled Securities issued by an issuer of the listed securities to ensure that the transaction is conducted under the customers' judgment and responsibility.

3. An Association Member shall accept the custody of the Over-the-Counter Handled Securities issued by an issuer of the listed securities that are purchased by a customer as a result of the investment solicitation conducted prescribed in Paragraph 1 and entrusted for custody by the customer, provided, however, the Association Member may not accept custody if the issuer of the Over-the-Counter Handled Securities submits a Securities Registration Statement on such Over-the-Counter Handled Securities to the Prime Minister.

4. Each time an Association Member accepts an order from its customer for a transaction of Over-the-Counter Handled Securities issued by an issuer of the listed securities as a result of the investment solicitation conducted prescribed in Paragraph 1, it shall clearly specify that such securities are Over-the-Counter Handled Securities issued by an issuer of the listed securities.

CHAPTER III. SALE AND PURCHASE, ETC. OF OVER-THE-COUNTER SECURITIES

(Dealing)

Article 9 A Regular Member, when it sells or purchases of Over-the-Counter Securities on its own account (hereinafter referred to as “Dealing”), shall note that fair price-making and sound management shall not be disturbed.

(Transaction on Joint Accounts)

Article 10 A Regular Member must not conduct Over-the-Counter Transactions with other Regular Members or customers on a joint account (excluding Over-the-Counter Transactions of Green Sheet Issues, etc.; the same shall apply hereinafter).

(Prohibition of Over-the-Counter Transactions Using Unfair Means)

Article 11 A Regular Member shall not conduct Over-the-Counter Transactions using unfair means, such as wash trading or prearranged trading.

(Excessive Trading)

Article 12 A Regular Member shall not conduct Over-the-Counter Transactions for Over-the-Counter Securities deemed excessive on its own account or on the accounts of its affiliated companies, in consideration of its financial resources or trading situations of the Over-the-Counter Securities.

(Raising Prices by Manipulation or Selling Off)

Article 13 A Regular Member must not engage in such acts as purchase of Over-the-Counter Securities by sequentially raising quotations or purchase prices, or sales of such securities by sequentially lowering quotations or sales prices with the objective of misleading other people, artificially disguising a boom or exerting an unfair impact on the market, or creating fictitious quotations that do not reflect actual market conditions.

(Prohibition of Accepting Market Order, Margin Transactions and Over-the-Counter Transactions of Unissued Over-the-Counter Securities)

Article 14 An Association Member must not accept any market orders without limit for Over-the-Counter Securities.

2. An Association Member must not conduct margin transactions (including transactions by an Association Member receiving credit) for Over-the-Counter Securities.

3. An Association Member must not conduct Over-the-Counter Transactions of unissued Over-the-Counter Securities.

(Restrictions on Transactions between Regular Members)

Article 15 A Regular Member must not conduct Over-the-Counter Transactions of Over-the-Counter Securities for the purpose of circulation among Regular Members except for the investment solicitation prescribed in Articles 4, 6, and 8.

(Reports of Sale and Purchase of Over-the-Counter Handled Securities Issued by an Issuer of the Listed Securities)

Article 16 A Regular Member, when it conducts Over-the-Counter Transactions of Over-the-Counter

Handled Securities issued by an issuer of the listed securities, must report to the Association to that effect using the prescribed form by the 15th day (the following business day in the case where the given 15th day of the month is a non-business day) of the month immediately following to the month when such Over-the-Counter Transactions were conducted.

2. The Association shall disclose to the public the information reported by a Regular Member prescribed in the provisions of the preceding Paragraph on a regular basis.

3. When deemed necessary for transaction management, the Association may request a Regular Member to report on the status of Over-the-Counter Transactions.

(Clear Indication of Responsibilities for Price Information of Over-the-Counter Securities)

Article 17 A Regular Member, when it provides such information as sales or purchase prices of Over-the-Counter Securities (hereinafter referred to as “Price Information”), except in the cases under the Rules Concerning Shareholders Community or the Rules Concerning Equity-Based Crowdfunding Business, must clearly specify, along with the Price Information, the Regular Member’s name, the names of its handling departments and branches (including departments and branches of a Special Member and a Financial Instruments Intermediary Service Provider entrusted by a Regular Member to carry out Financial Instruments Intermediary Service), the date when the Price Information is provided, and the effect that the Price Information is not an asked quotation nor a bid quotation regardless of whatever media may be used.

CHAPTER IV. MISCELLANEOUS PROVISIONS

(Delivery, Etc. Using Electromagnetic Methods)

Article 18 In substitution for the delivery of the Explanatory document on securities information etc. prescribed in Article 8, Paragraph 1, pursuant to the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Method (hereinafter referred to as the “Electric Document Delivery Rules”),” Association Members may use methods employing electronic information processing systems or other information technologies to provide the matters to be stated in the Explanatory document on securities information, etc. In such a case, the members shall be regarded as having delivered the Explanatory document on securities information, etc.

2. In substitution for the collection of a Confirmation letter concerning a transaction of Over-the-Counter Handled Securities prescribed in Article 7, Paragraph 4, or a Confirmation letter concerning a transaction of Over-the-Counter Handled Securities issued by an issuer of the listed securities prescribed in Article 8, Paragraph 2, pursuant to the “Electric Document Delivery Rules,” Association Members may use methods employing electronic information processing systems or other information technologies to collect the matters to be stated in the Confirmation letter. In such a case, the members shall be regarded as having collected the Confirmation letter.

(Guidance and Supervision to Financial Instruments Intermediary Service Providers)

Article 19 A Regular Member must guide and supervise a Financial Instruments Intermediary Service Provider to whom it has entrusted a Financial Instruments Intermediary Service, to ensure compliance with the provisions of Article 3, Paragraphs 1 and 2 of Article 4, Paragraphs 1 and 2 of Article 6, Paragraphs 1 to 3, 5 and 6 of Article 7, and Paragraphs 1 and 4 of Article 8.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) These Rules are based on the version in effect as of January 1, 2017.

This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text.