

RULES CONCERNING GREEN SHEET ISSUES AND PHOENIX ISSUES

(January 17, 2001)

Chapter 1. General Provisions

(Purpose)

Article 1 The purpose of the Rules Concerning Green Sheet Issues and Phoenix Issues (hereinafter referred to as the “Rules”) is to prescribe provisions concerning the handled securities prescribed in Article 67-18, Item 4 of the Financial Instruments and Exchange Act (hereafter referred to as “FIEA”) and to define them as “Green Sheet Issues” and “Phoenix Issues,” as well as ensuring fair and smooth Over-the-Counter transactions in Green Sheet Issues and Phoenix Issues (hereinafter referred to as “Green Sheet Issues, etc.”), thereby contributing to the protection of investors.

(Definitions)

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

- (1) Over-the-Counter Securities:
Over-the-Counter Securities prescribed in Article 2, Item 1 of the “Rules Concerning Over-the-Counter Securities” (hereinafter referred to as “OTC Securities Rules”).
- (2) Over-the-Counter Transactions:
Over-the-Counter Transactions prescribed in Article 2, Item 2 of the OTC Securities Rules.
- (3) Over-the-Counter Handled Securities:
Over-the-Counter Handled Securities prescribed in Article 2, Item 4 of the OTC Securities Rules.
- (4) Explanatory Note on Business Conditions:
Explanatory information materials that meet the requirements prescribed in Article 5 of the OTC Securities Rules for Over-the-Counter Handled Securities, or that meet the requirements prescribed in Article 6, Paragraph 3 of the Rules for the preferred equity investment certificates prescribed in Article 2, Paragraph 1, Item 8 of the FIEA and for investment securities or investment equity subscription right certificates (hereinafter referred to as the “Investment Securities, etc.”) prescribed in the same Paragraph, Item 11 thereof, used by a handling member prescribed in Item 7 hereof or an associate handling member prescribed in Item 8 hereof (hereinafter referred to as “Handling Members, etc.”) or a Special Member or a Financial Instruments Intermediary Service Provider entrusted by such Handling Member, etc., to carry out Financial Instruments Intermediary Service (business related to the Financial Instruments Intermediary Service prescribed in Article 3, Item 9 of the Articles of Association; the same shall apply hereafter), in conducting its investment solicitation.
- (5) Green Sheet Issue(s):
Among Over-the-Counter Handled Securities (limited to those issued by an issuing company that meets the qualification prescribed in Article 2, Item 4 (a) or (c) of the OTC Securities Rules), preferred equity investment certificates and the Investment Securities, etc., those designated by the Association as securities that a Handling Member, etc., and a Special Member or a Financial

Instruments Intermediary Service Provider entrusted by such a Handling Member, etc., to carry out Financial Instruments Intermediary Service can handle in conducting its investment solicitation.

(6) Phoenix Issue(s):

Among Over-the-Counter Handled Securities (limited to those issued by an issuing company that meets the qualification prescribed in Article 2, Item 4 (b) or (d) of the OTC Securities Rules), those which were determined by a Regular Member who intended to be a Handling Member to give distribution opportunities to the holders when these were listed on the Financial Instruments Exchange, and designated by the Association as securities that an Association Member and a Financial Instruments Intermediary Service Provider can handle in conducting its investment solicitation.

(7) Handling Member(s):

A Regular Member designated by the Association, after such Regular Member notifies the Association that Over-the-Counter Handled Securities, preferred equity investment certificates, and the Investment Securities, etc. (hereinafter referred to as “Over-the-Counter Handled Securities, etc.”) shall be Green Sheet Issues, etc., and the Association designates the said Over-the-Counter Handled Securities, etc. as Green Sheet Issues, etc., as a member that is allowed to conduct solicitation for investment in the said Green Sheet Issues, etc. with a Special Member and a Financial Instruments Intermediary Service Provider entrusted by such Regular Member to carry out Financial Instruments Intermediary Service, and that bears obligation as prescribed in the rules of the Association.

(8) Associate Handling Member(s):

A Regular Member designated by the Association as a member that is allowed to conduct investment solicitation for Green Sheet Issues, etc. with a Special Member and a Financial Instruments Intermediary Service Provider entrusted by such Regular Member to carry out a Financial Instruments Intermediary Service, and that bears obligation as prescribed in the rules of the Association.

(9) Designated Book-Entry Organization:

A book-entry organization prescribed in Article 2, Paragraph 2 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter referred to as the “Act on Book-Entry Transfer”) and designated by the Association.

(10) Antisocial Force(s)

An Antisocial Force prescribed in Article 15 of the Rules Concerning the Enforcement of the Articles of Association.

(Change of Reading concerning Preferred Equity Investment Certificates and Investment Securities, Etc.)

Article 3 In applying the Rules to preferred equity investment certificates and the Investment Securities, etc., the term “issuing company/companies” shall be changed to read “issuer/issuers.”

Chapter 2 Designation

(Classification of Green Sheet Issues)

Article 4 Green Sheet Issues shall be classified into the categories shown in each Item below, after due

consideration of the characteristics of the issues and the issuing companies, based on the notification made by a Regular Member intending to become a Handling Member:

- (1) Emerging Section:
Category for share certificates, share option certificates, or bonds with share option (hereinafter referred to as the “Share Certificates, etc.”) issued by companies which are deemed appropriate in consideration of their growth potential or other factors by a Regular Member intending to become a Handling Member after the examination carried out when the Regular Member intends to newly perform notification for designation as a Green Sheet Issue.
- (2) Ordinary Section:
Category for share certificates, etc. issued by companies which are deemed appropriate by a Regular Member intending to become a Handling Member after the examination carried out when the Regular Member intends to newly perform notification for designation as a Green Sheet Issue.
- (3) Investment Trust/SPC Section:
Category for the Investment Securities, etc. and preferred equity investment certificates which are deemed appropriate by a Regular Member intending to become a Handling Member after the examination carried out when the Regular Member intends to newly perform notification for designation as a Green Sheet Issue.

(Representative Handling Member)

Article 5 Handling Members of a single Green Sheet Issue, etc. (including Regular Members intending to become Handling Members by performing the notification prescribed in Article 9) may appoint a Regular Member which represents the Handling Members (hereinafter referred to as “Representative Handling Member”) by consensus.

2. When a Representative Handling Member is appointed pursuant to the preceding Paragraph, all Handling Members must notify the Association to this effect without delay using the prescribed form under their joint signatures; provided, however, that if Regular Members intending to become Handling Members appoint a Regular Member who is scheduled to become a Representative Handling Member, all Regular Members intending to become Handling Members must perform notification under their joint signatures at the time they perform the notification prescribed in Article 9.

3. If a Representative Handling Member (including a Regular Member who is scheduled to become Representative Handling Member) has been changed or dismissed, notification must be performed without delay to the Association using the prescribed form.

(Conditions for Designation as Green Sheet Issue, Etc.)

Article 6 Any securities for which a Regular Member intending to become Handling Member (or a Regular Member scheduled to become Representative Handling Member, in the case where Regular Members intending to become Handling Members appoint the Regular Member who is scheduled to become Representative Handling Member; the same shall apply hereinafter in this Paragraph) attempts to perform notification prescribed in Article 9 as Phoenix Issues must meet all the requirements set forth below:

- (1) An administrator of shareholder registry shall be appointed to undertake share administration work entrusted by the issuing company (including cases where informal acceptance of such entrustment is obtained from an administrator of shareholder registry);

- (2) No transfer restriction shall have been imposed by the issuing company on such securities by the date on which the Association performs the designation prescribed in Article 9; and
 - (3) An issuing company is not the Antisocial Forces and the issuing company does not have a relationship with the Antisocial Forces.
2. Issuers of preferred equity investment certificates and the Investment Securities, etc. which constitute Green Sheet Issues classified in the Investment Trust/SPC Section must fall under either of the following:
 - (1) Issuers that are required to submit securities reports pursuant to the provisions of Article 24, Paragraph 1 of the FIEA (limited to an issuer whose latest securities report or securities registration statement submitted to the Prime Minister is accompanied by an audit report with an unqualified general opinion (stating that their results are fair and proper); the same shall apply hereinafter); or
 - (2) Issuers that prepare Explanatory Note on Business Conditions.
3. Explanatory Notes on Business Conditions prescribed in Item 2 of the preceding Paragraph shall be prepared by issuers, and shall meet the requirements set forth below:
 - (1) They shall be prepared based on the statements in the securities report prescribed in the Cabinet Office Ordinance concerning Disclosure of the Contents of Specified Securities; provided, however, that if the issuer of such securities does not fall under the provision of Item 1 of the preceding Paragraph, the issuer shall prepare the following, pursuant to the respective cases below;
 - (a) No preparation of financial statements is required if the issuer is still in its first business year;
 - (b) The financial statements for the first business year shall be included in Explanatory Note on Business Conditions if the issuer is in its second business year; and
 - (c) The financial statements for the two business years immediately preceding the preparation year shall be included in Explanatory Note on Business Conditions if the issuer is in its third business year or later; provided, however, that the preparation of financial statements for the business year immediately preceding the preparation year shall be sufficient if such issuer prepares Explanatory Note on Business Conditions for the first time.
 - (2) Financial statements and consolidated financial statements shall be prepared pursuant to the terms, forms, and methods prescribed by the Prime Minister in a cabinet office ordinance, pursuant to Article 193 of the FIEA, according to standards that are generally deemed fair and appropriate, or pursuant to the “Rules Concerning Calculation of Special Purpose Company” (limited to the case where such securities are preferred equity investment certificates), or the “Rules Concerning Calculation of Investment Company” (limited to the case where such securities are the Investment Securities, etc.); and
 - (3) Audits equivalent to one pursuant to the FIEA, or based on the Act on Securitization of Assets, or the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the “Investment Trust Act”), or equivalent to one pursuant to such laws, shall be conducted by certified public accountants or auditing corporations, and audit reports with unqualified general opinions (stating that their results are fair and proper) shall be included with the financial statements.

4. An issuing company that plans to make a notification of its issue as Phoenix Issues under Article 9 must meet the following requirements:

- (1) In the case where a Financial Instruments Exchange in which the issuing company of such issue was listed has determined to delist the company due to an insufficient disclosure system or for the purpose of protecting public interest or investors (hereinafter referred to as “Deficiencies of Disclosure System, etc.”), such Deficiencies of Disclosure System have been improved, corrected, and solved;
- (2) A system to eliminate the Antisocial Forces has been established;
- (3) In the case where the issuing company of such issue has been delisted from a Financial Instruments Exchange because the issuing company must file bankruptcy, reconstruction, or revitalization procedures, such procedures have already been completed; and
- (4) In the case where the issuing company of share certificates, etc. which it intends to notify as Phoenix Issues under the provision of Article 9 has given consent of the designated book-entry transfer organization on such issue pursuant to Article 13, Paragraph 1 of the Book-Entry Transfer Act, and other matters prescribed by such book-entry transfer organization, or such consent is expected to be given before the Association designates such issues as Phoenix Issues.

5. In the case where the securities that are scheduled to make notification as Phoenix Issue under the provision of Article 9 are bonds with share options, the issuing company of such bonds with share options must perform notification of the share certificates issued by such issuing company at the same time; provided, however, that this provision does not apply if the share certificates issued by the issuing company has already been designated a Phoenix Issue.

Article 7 (DELETED)

(Collection of Consent Letters)

Article 8 When a Regular Member intending to become Handling Member (or a Regular Member scheduled to become Representative Handling Member, in the case where Regular Members intending to become Handling Members appoint the Regular Member who is scheduled to become Representative Handling Member; the same shall apply hereinafter in this Article) performs the notification under the provision of the following Article, such Regular Member must attach thereto a consent letter from an issuing company to the effect that it will actively cooperate on timely and appropriate disclosures of company information and an interview, etc. conducted by the Association.

2. A Regular Member intending to become a Handling Member must confirm that an issuing company is not the Antisocial Forces and has no relationship with the Antisocial Force by receiving a document in a designated form from the issuing company, and submit a copy of such document to the Association.

3. When a Regular Member intending to become a Handling Member performs the notification under the provision of the following Article, such Regular Member must attach thereto a document describing, using the prescribed form, the issuing company’s manager and staff members responsible for communicating with the Association with regard to disclosure, etc. of company information. If any changes are made on such manager or staff members, a document describing, in the prescribed form, such changes must again be submitted to the Association.

(Notification and Designation)

Article 9 When a Regular Member intending to become a Handling Member (or a Regular Member scheduled to become Representative Handling Member, in the case where Regular Members intending to become Handling Members appoint the Regular Member who is scheduled to become Representative Handling Member; the same shall apply hereinafter in this Article) attempts to solicit investment by offering quotations of Over-the-Counter Handled Securities (excluding securities already designated as Green Sheet Issues, etc.), such Regular Member shall notify the Association using the prescribed form no later than five business days before the day when the offering of quotations begins.

2. When making the notification prescribed in the preceding Paragraph, a Regular Member intending to become a Handling Member must clearly specify that such issue is a Phoenix Issue, and must also clearly specify which system the member adopts, either daily publication (update and report every business day) or weekly publication (update and report once or more every week) in reporting quotation updates and trading results.

3. When performing the notification prescribed in Paragraph 1, the following must also be submitted to the Association such as Explanatory Note on Business Conditions or securities report, semiannual report, and current report (hereinafter referred to as “Explanatory Note on Business Conditions, etc.”) and any other documents deemed necessary by the Association.

4. If the Association confirms that there are no flaws in the documents submitted pursuant to the provisions of the preceding Paragraph, the Association shall designate the Over-the-Counter Handled Securities as a Phoenix Issue, and designate the Regular Member who performed such notification as a Handling Member (Regular Members listed as Regular Members intending to become Handling Members in such notification, in the case where a Regular Member who is scheduled to become a Representative Handling Member performed the notification) after publicly announcing such designation.

5. The designation specified in the preceding Paragraph shall not imply that the Association confirms that the Phoenix Issues satisfy conditions prescribed in laws and regulations and the rules of the Association, that the Explanatory Note on Business Conditions, etc. of such issues are true and accurate or do not lack descriptions of any significant matters, or that the Association guarantees or approves value of such issues.

(Notification of New Handling Members)

Article 10 A Regular Member intending to become a new Handling Member for issues already designated as Phoenix Issues must notify the Association using the prescribed form under the joint signatures of itself and all existing Handling Members no later than 5 business days before the date when a quotation begins to be offered; provided, however, that in the case where existing Handling Members have appointed a Representative Handling Member, the notification may be performed under the joint signatures of a Regular Member intending to become a new Handling Member and the Representative Handling Member. In this case, the Representative Handling Member shall notify the other existing Handling Members in advance to that effect, and any existing Handling Member who has an objection shall consult with the Representative Handling Member before the notification.

2. The notification as prescribed in the preceding Paragraph is deemed to have clearly specified the already designated classification as required under the provision of Article 9, Paragraph 2 in effect before the revision of these Rules effective as of May 29, 2015.

3. If the Association deems that the notification prescribed in Paragraph 1 is appropriate, it shall

designate the Regular Member who performed the notification as a new Handling Member of the Phoenix Issues with prior announcement.

(Associate Handling Members)

Article 11 A Regular Member intending to become an Associate Handling Member of Phoenix Issues must notify the Association using the prescribed form no later than 5 business days before the date when a quotation begins to be offered.

2. The notification as prescribed in the preceding Paragraph is deemed to have clearly specified the already designated classification as required under the provision of Article 9, Paragraph 2 in effect before the revision of these Rules effective as of May 29, 2015.

3. If the Association deems that the notification prescribed in Paragraph 1 is appropriate, it shall designate the Regular Member who performed the notification as a new Associate Handling Member of the Phoenix Issues with prior announcement.

(Changes of Green Issue Classifications)

Article 12 If Handling Member attempts to change an issue classification of Green Sheet Issues, it must notify the Association using the prescribed form under the joint signatures of all Handling Members no later than 10 business days (15 business days if attempting to change the classification into the Emerging Section) before the day on which the Handling Member wishes the change to come into effect; provided, however, that in the case where Handling Members have appointed a Representative Handling Member, the Representative Handling Member shall perform notifications on behalf of each Handling Member. In this case, the Representative Handling Member shall notify the other Handling Members in advance to that effect, and any Handling Member who has an objection shall consult with the Representative Handling Member before the notification.

2. The provisions of Article 5, Article 6, Paragraph 2, Article 7, Paragraph 1, Items 5 and 6, Article 7, Paragraphs 2 to 4, and Article 9, Paragraphs 2 to 5 in effect before the revision of these Rules effective as of May 29, 2015 shall apply *mutatis mutandis* to the cases prescribed in the preceding Paragraph.

3. Green Sheet Issues whose classifications are changed from the Emerging Section into other issue classifications shall not be changed to the Emerging Section again at any time before the elapse of one year from the day on which the Association designates such issues as having changed classifications.

(Confirmation related to Classification into Emerging Section)

Article 13 A Handling Member of Green Sheet Issues classified into the Emerging Section (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member; the same shall apply hereinafter in this Article) must report to the Association using the prescribed form on the judgment results pursuant to the criteria prescribed in the Annex, no later than the elapse of four (4) months from the last day of the business year following the business year including the date when such issues are designated as or changed to be classified in the Emerging Section.

2. A Handling Member of issues which fail to meet the criteria prescribed in Annex as a result of the judgment prescribed in the preceding Paragraph must perform a notification using the prescribed form to the effect that the designations of such issues shall be changed from the Emerging Section to the Ordinary Section at the time when it reports as prescribed in the preceding Paragraph.

3. A Handling Member of issues which meet the criteria prescribed in Annex as a result of the judgment prescribed in Paragraph 1 shall confirm that either of sales, operating profits, or ordinary profits of such issues in the immediate previous business year increased on a year-on-year basis (hereinafter referred to as “Increase of Sales, etc.”), examine the business growth potential of such issues (hereinafter referred to as “Examination”) once every two business years subsequent to the business year when it judges as prescribed in Paragraph 1, and must report to the Association on the results using the prescribed form no later than the elapse of four (4) months from the last day of the business year when such examination is required to be conducted; provided, however, the following procedures shall apply if the issuing company of Green Sheet Issues changes the accounting term:

- (1) In the case where an irregular closing of account has been made due to the change of accounting term on the second business year from the business year when the judgment prescribed in Paragraph 1 was made or from the business year that is subject to the Examination in this Paragraph, the business year after the business year when the irregular closing of account was made shall be subject to the Examination, and the Increase of Sales, etc. shall be checked by comparing with the business performance in the business year immediately before the business year when the irregular closing of account was made; or
- (2) In the case where an irregular closing of account was made due to the change of accounting term on the next business year from the business year when the judgment prescribed in Paragraph 1 was made or from the business year that is subject to the Examination in this Paragraph, the Increase of Sales, etc. shall be checked by comparing with the business performance in the business year immediately before the business year when the irregular closing of account was made.

4. A Handling Member of issues which are judged not to have an Increase of Sales, etc., and business growth potential as a result of the Examination prescribed in the preceding Paragraph must perform a notification using the prescribed form to the effect that the designations of such issues shall be changed from the Emerging Section to the Ordinary Section at the time when it reports as prescribed in the preceding Paragraph.

5. A Handling Member of Green Sheet Issues classified in the Emerging Section which is judged not to have business growth potential for any reason other than the cases prescribed in Paragraphs 2 and 4 must perform a notification using the prescribed form to the effect that the designations of such issues shall be changed from the Emerging Section to the Ordinary Section.

6. The provisions of Article 5, Article 7, Paragraphs 2 to 4, and Article 9, Paragraphs 2 to 5 in effect before the revision of these Rules effective as of May 29, 2015 shall apply *mutatis mutandis* to the cases prescribed in Paragraphs 2 and 4 and the preceding Paragraph.

7. If the Association deems that the notification prescribed in Paragraphs 2, 4, and 5 is appropriate, it shall designate the issues for which such notification is made as Green Sheet Issues classified in the Ordinary Section, with prior announcement, on the tenth business day after the business day immediately following the day on which it received such notification.

Chapter 3 Disclosure of Company Information

(Guidance to Issuing Companies for the Disclosure of Company Information)

Article 14 A Handling Member of Green Sheet Issues, etc. must provide the issuing companies of such issues with guidance on the preparation of an Explanatory Note on Business Conditions, etc., and the reports prescribed in this Chapter on its own responsibility. In the case where Handling Members have appointed a

Representative Handling Member, the Representative Handling Member shall provide such guidance, and all Handling Members must jointly and collectively be responsible for such guidance.

(Submission and Public Disclosure of Explanatory Note on Business Conditions, Etc.)

Article 15 A Handling Member of Green Sheet Issues, etc. (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member; the same shall apply hereinafter in Paragraphs 2 to 7 hereof) must submit to the Association an Explanatory Notes on Business Conditions or a securities reports prepared by companies issuing Green Sheet Issues, etc. for each accounting term, within three (3) months after the last day of each accounting term. Provided, however, for reasons unavoidable, it is allowed not to submit during the designated period if approved by the Prime Minister, etc. as prescribed in the body texts of Article 24, Paragraph 1 of the FIEA regarding the Financial Reports; or approved by the Association regarding the Explanatory Notes on Business Condition, and these must be submitted during the period approved by the Prime Minister, etc., or the Association, respectively.

2. When a Handling Member intends to obtain approval of the Association as prescribed in the preceding Paragraph, it must submit to the Association a document describing the matters set forth in each Item below:

- (1) A period during which the approval of submission of the Explanatory Notes on Business Condition is obtained;
- (2) The last day of the business year which Explanatory Notes on Business Condition covers;
- (3) The reason why the approval is required for the submission of the Explanatory Notes on Business Condition; and
- (4) A method of immediately disclosing to the public if it receives the approval pursuant to the provision of Paragraph 4, and reasons prescribed in the preceding Item disappear or change.

3. The document prescribed in the preceding Paragraph shall be accompanied by the documents set forth in each Item below:

- (1) Articles of incorporation or other equivalent document; and
- (2) A document that proves the reason as prescribed in the preceding Paragraph, Item 3.

4. When an application for approval pursuant to Paragraph 2 is made, if the Association understands that the Handling Member cannot submit the Explanatory Notes on Business Condition within three months after the last day of its accounting term due to an unavoidable reason (or during the approved period if the Handling Member receives approval from the Association regarding the submission of the Explanatory Notes on Business Conditions in that business year pursuant to Paragraph 1), the Explanatory Notes on Business Conditions in the business year(s) from which the date of such application exists (or the previous business year if such date exists in a period of less than three months since the commencement of the business year) to the previous business year of the business year to which the date when the reasons related to the application that are prescribed in Paragraph 2, Item 3 disappear or change shall be approved.

5. If the reasons as prescribed in the preceding Paragraph that are prescribed in Paragraph 2, Item 3 disappear or change, the Association may change the period during which the submission can be made as prescribed in the preceding Paragraph, or revoke the approval prospective to the future..

6. If a company issuing Green Sheet Issues, etc. prepares a semiannual report prescribed in Articles 24-5, Paragraph 1 of FIEA, the Handling Member of such Green Sheet Issues, etc. must submit a copy of the

semiannual report to the Association within the period prescribed in the same Paragraph.

7. If a company issuing Green Sheet Issues, etc. prepares a current report prescribed in Articles 24-5, Paragraph 4 of the FIEA, the Handling Member of such Green Sheet Issues, etc. must submit a copy of the current report to the Association without delay.

8. Handling Members, etc. must keep the latest Explanatory Notes on Business Conditions, etc. in departments and branches which solicit investment in Green Sheet Issues, etc. (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; hereinafter referred to as "Handling Departments and Branches"), and provide them for customers' reference.

9. The Association shall provide Explanatory Note on Business Conditions, etc. submitted to it pursuant to the provisions of Article 9, Paragraph 3, or Paragraph 1 of this Article for public reference, for five (5) years from the date of receipt.

(Reports of Company Information to the Association)

Article 16 If a company issuing Green Sheet Issues, etc. falls under the events prescribed in the "Detailed Rules Concerning Report to the Association on Company Information, Etc. of Issuing Companies, Etc. of Green Sheet Issues and Phoenix Issues" (hereinafter referred to as "Detailed Rules Concerning Report on Company Information"), a Handling Member of Green Sheet Issues, etc. (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member; the same shall apply hereinafter in this Paragraph and Paragraphs 3 through 5) must report to the Association without delay. Provided, however, that it does not preclude the issuing company from making such reports instead of the Handling Member.

2. The report prescribed in the preceding Paragraph shall be made using TDnet (a timely disclosure network system operated and used by the Association and domestic financial instruments exchange; the same shall apply hereinafter).

3. In the case of the preceding Paragraph, a Handling Member or an issuing company of Green Sheet Issues, etc. shall send materials concerning such reports to the Association via TDnet.

4. Notwithstanding the provision of the preceding Paragraph, a Handling Member or an issuing company of Green Sheet Issues, etc. may submit to the Association the "Notification Letter concerning Disclosures of Company Information" prescribed by the Association and materials related thereto (hereinafter referred to as "Disclosure Notification Letter, etc.") in substitution for sending reporting materials through TDnet as prescribed in the same Paragraph. In this case, if a company issuing Green Sheet Issues, etc. is an issuing company of securities listed on any financial instruments exchanges in Japan (limited to financial instruments exchange equipped with TDnet; the same shall apply hereinafter this Article), and if any documents that are deemed appropriate by the Association are submitted to such financial instruments exchange and a copy thereof is submitted to the Association, a Disclosure Notification Letter shall be deemed to have been submitted to the Association.

5. A Handling Member or an issuing company of Green Sheet Issues, etc. may fax the Disclosure Notification Letter in substitution for submission of Disclosure Notification Letter prescribed in the first part of the preceding Paragraph if it is deemed appropriate by the Association.

6. Notwithstanding the provisions of Paragraph 2 through the preceding Paragraph, any reports of company information based on the provision of Paragraph 1 shall be made using a method defined each time by the Association if any disruptions occur to TDnet's operations or it is otherwise deemed necessary by the Association.

7. A Handling Member, etc. of Green Sheet Issues, etc. must keep the reports prescribed in the Detailed Rules Concerning Report on Company Information among reports provided in Paragraph 1 hereof in Handling Departments and Branches, and provide them for customers' reference from the date when such reports are made.

8. The Association shall provide the reports prescribed in the Detailed Rules Concerning Report on Company Information among reports prescribed in Paragraph 1 hereof for public reference from the date when such reports are made.

(Inquiry, Etc. by the Association and its Related Measures to be Taken)

Article 17 When deemed necessary concerning the company information of a company issuing Green Sheet Issues, etc., the Association may make an inquiry, hold a hearing, or require materials to/from Handling Members of such issues (hereinafter in this Article and Article 33 referred to as "Inquiry, etc.").

2. If the Association makes an Inquiry, etc. concerning the company information of a company issuing Green Sheet Issues, etc. pursuant to the provision of the preceding Paragraph, the Handling Member must immediately report accurately on the matters included in the Inquiry, etc.

3. When deemed necessary, the Association shall provide the contents of report for public reference pursuant to the provision of the preceding Paragraph.

4. A Handling Member must keep in Handling Departments and Branches the contents of the report provided for public reference by the Association pursuant to the provision of the preceding Paragraph and provide them for customers' reference.

(Change or Correction of Report Contents)

Article 18 If there arise any situations where changes or corrections need to be made to Explanatory Note on Business Conditions, etc., or any contents reported pursuant to the provisions of the preceding two Articles, a Handling Member (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member and where Explanatory Note on Business Conditions, etc. or any contents reported pursuant to the provisions of Article 16 are changed or corrected) must immediately report to the Association on contents of such changes or corrections.

2. Handling Member must keep the contents of the report prescribed in the preceding Paragraph (limited to the contents of the report provided for public reference by Handling Member pursuant to the provision of Paragraph 4 of the preceding Article, in the case where the contents of a report made pursuant to the provision of Paragraph 2 of the same Article are changed or corrected) in Handling Departments and Branches with the original contents before they are changed or corrected, and provide them for customers' reference.

3. The Association shall provide the contents of the report prescribed in Paragraph 1 hereof (limited to the contents of the report provided for public reference pursuant to the provision of Paragraph 3 of the preceding Article, in the case where the contents of a report made pursuant to the provision of Paragraph 2 of the same Article are changed or corrected) for public reference, as well as the original contents before they were changed or corrected.

(Submission of Document to the Association related to the Allocation of New Shares to a Third Party)

Article 18-2 If an issuing company of Green Sheet Issues, etc. allocates share certificates which are offered to third parties as prescribed in Article 199, Paragraph 1 of the Companies Act, or share option certificates which are offered to third parties as prescribed in Article 238, Paragraph 1 of the Companies Act, a Handling Member of Green Sheet Issues, etc. (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member) must confirm that the third party to which new shares are allocated (excluding an issuing company of Green Sheet Issues, etc., or the Association Members) is not the Antisocial Forces and has no relationship with the Antisocial Forces by receiving a document in a designated form from the issuing company, and submit a copy of such document to the Association.

Chapter 4 Investment Solicitation

(Explanation on Transaction to Customers)

Article 19 Association Member must deliver to a customer who conducts transactions of Green Sheet Issues, etc. (excluding Professional Investors (professional investors prescribed in Article 2, Paragraph 31 of the FIEA (excluding persons who are recognized as customers other than the professional investors pursuant to Article 34-2, Paragraph 5 of the FIEA, and including persons regarded as the professional investors pursuant to Article 34-3, Paragraph 4 (including cases applied *mutatis mutandis* to Article 34-4, Paragraph 6 of the FIEA))); the same shall apply hereinafter); the same shall apply in this Article and Article 22) a document prior to conclusion of contract that describes matters set forth in each Item of Article 37-3, Paragraph 1 of the FIEA as well as the nature of Green Sheet Issues, etc., the transaction mechanism, the transaction methods of Green Sheet Issues, etc., by the Association Member, how to disseminate the information on Green Sheet Issues, etc., and risks associated with the investment in Green Sheet Issues, etc. (a document prescribed in the same Paragraph) pursuant to the same Article, and give a full explanation thereof to the customer.

2. An Association Member must obtain a written confirmation concerning a transaction of Green Sheet Issues, etc. using the prescribed form from customers who conduct a transaction of Green Sheet Issues, etc. for the first time (excluding customers who intend to sell Phoenix Issues), in order to confirm that the transaction of Green Sheet Issues, etc., is to be effected under the judgment and responsibility of the customer.

(Investment Solicitation)

Article 20 Association Members who are not Handling Members, etc. must not solicit investment of Green Sheet Issues, etc. except for sale of Phoenix Issues on the customer's account.

2. An Association Member soliciting investment in Green Sheet Issues, etc. (excluding the case prescribed in the following Article) must give a full explanation to customers (excluding qualified institutional investors) with respect to the details of the issues and their issuing companies using the latest Explanatory Note on Business Conditions, etc., and a document describing the contents of report submitted pursuant to the provisions of the preceding Chapter after the description date of such latest Explanatory Note on Business Conditions, etc. (excluding a current report) (excluding matters described in the latest Explanatory Note on Business Conditions, etc.).

3. When an Association Member soliciting investment in Green Sheet Issues, etc. is asked by customers to explain the calculation method of transaction price, etc., it must explain it using the quotation price and trading price of Green Sheet Issues, etc. that are publicized pursuant to Article 35.

(Investment Solicitation in Handling, Etc. of Offering, Etc.)

Article 21 When a Handling Member, etc., or a Special Member entrusted by the Handling Member, etc. to carry out Financial Instruments Intermediary Service handles the public offering or secondary offering, or engages in secondary offering of Green Sheet Issues, etc., for which a prospectus must be prepared and delivered as prescribed in Article 13 and Article 15, Paragraph 2 of the FIEA, it must give a customer a full explanation with respect to the details of the issues and their issuing companies after delivering such prospectuses to such customers under the provisions of the laws and regulations.

2. When a Handling Member, etc., or a Special Member entrusted by the Handling Member, etc. to carry out Financial Instruments Intermediary Service handles the public offering, secondary offering, private placement, or private secondary offering (solicitation for secondary offering, etc. that meet either of Article 2, Paragraph 4, Item 2 (a) to (c) of the FIEA; the same shall apply hereinafter), or engages in secondary offering or private secondary offering (hereinafter referred to as “Handling, etc. of Offering”) of Green Sheet Issues, etc. for which preparation and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA is not required, it must give a customer a full explanation with respect to the details of the issues and their issuing companies, using Explanatory Note on Business Conditions which adds securities information of the Green Sheet Issues, etc. for which the Offering is conducted based on the statement of “securities information” in the securities registration statement prescribed in the Cabinet Office Ordinance concerning Disclosure of Company Information, etc., or the Cabinet Office Ordinance concerning Disclosure of Information, etc. of Specific Securities (including the document describing contents of report as prescribed in the preceding Chapter, if any; the same shall apply hereinafter in this Paragraph) in addition to the securities report or statement prescribed in Article 2, Item 4 hereof; provided, however, that this shall not apply to cases of investment solicitation to qualified institutional investors.

(Clear Indication of Green Sheet Issues, Etc.)

Article 22 Each time an Association Member accepts an order from its customer for transactions of Green Sheet Issues, etc., it must clearly specify that such securities are Green Sheet Issues or Phoenix Issues, and the issue classifications of such Green Sheet Issues if it is a Green Sheet Issue.

Chapter 5 Sale and Purchase

(Matters to Be Confirmed with Customers)

Article 23 When a Regular Member accepts an order from its customer for Green Sheet Issues, etc., it must confirm with such customer the matters set forth in each Item below in advance:

- (1) Personal or corporate name;
- (2) Address or office location;
- (3) Contact established to receive correspondence, if any; and
- (4) If an agent is assigned, that agent’s name, address or office location, and scope of its authority.

2. Each time a Regular Member accepts an order from its customer for Green Sheet Issues, etc., it must receive an instruction on the matters set forth below:

- (1) Name of an issue;

- (2) Proprietary trading or agency trading;
- (3) Sale or purchase;
- (4) Quantities;
- (5) Prices;
- (6) Instructions concerning delivery; and
- (7) For entrusted orders, the effective period of such orders.

(Sale and Purchase and Delivery)

Article 24 Over-the-Counter Transactions in Green Sheet Issues, etc. must be conducted as a direct trading between Regular Members or between a Regular Member and a customer, by means of intermediary, brokerage, or agency for entrustment, or transactions as a principal.

2. Delivery in Over-the-Counter Transactions of Green Sheet Issues, etc. (excluding intermediary for entrustment; the same shall apply hereinafter in this Article) must be executed by means of individual delivery on the fourth day from the trade date (day count shall be conducted excluding non-business days; the same shall apply hereinafter for any day count prescribed in this Article); provided, however, that delivery may be executed before the fourth day or by the seventh day from the trade date, if a seller Regular Member receives approval from a buyer Regular Member.

3. Delivery for Over-the-Counter Transactions in Green Sheet Issues, etc. must be executed by the delivery of share certificates, share option certificates, or bonds with share option, preferred equity investment certificates, Investment Securities, etc. or investment equity subscription right certificates concerning such Over-the-Counter Transactions.

4. Notwithstanding the provision of the preceding Paragraph, transfers of delivery certificates may be carried out via book-entry transfer among participants' accounts opened in a designated book-entry transfer organization for share certificates that are handled by a designated book-entry transfer organization (hereinafter referred to as "Share Certificates Handled by a Designated Book-Entry Transfer Organization") while obtaining consent of the issuer of share certificates, etc. as prescribed in Article 13-1 of the Book-Entry Transfer Act, and convertible-type bonds with share option (bonds with share option whose purpose of contribution at the time of exercising the share option is the bond related to such bonds with share option; hereinafter in this Article referred to as "Convertible-type Bonds with Share Option Handled by Designated Book-Entry Transfer Organization"), or via book-entry transfers among participants' accounts with a settlement company admitted by the Association for any other securities.

5. Notwithstanding the provision of Paragraph 2, for Convertible-type Bonds with Share Option Handled by a Designated Book-Entry Transfer Organization, the delivery of Over-the-Counter Transactions that is performed four days before the interest payment day (or the actual day when the interest is paid if the interest payment day is a bank holiday and the interest is paid before the due date of interest payment; the same shall apply hereinafter) of such Convertible-type Bonds with Share Option Handled by a Designated Book-Entry Transfer Organization must be executed on the fifth day counting from the transaction settlement day.

6. If delivery is not completed on the delivery date prescribed in Paragraph 2, the seller Regular Member must pay to the buying Regular Member delayed charges of 0.06 percent of the sale or purchase

price per day, counting from the date immediately following the delivery date to the delivery completion date; provided, however, that this shall not apply to the cases where such delivery is delayed due to acts of nature or other causes beyond reasonable control.

7. If delivery fails to be completed even after the elapse of five (5) days after the date immediately following the delivery date prescribed in Paragraph 2, the buying Regular Member must immediately report to the Association to that effect.

8. The Association shall investigate the causes of such delivery delays based on the report prescribed in the preceding Paragraph, and take necessary measures.

(Proprietary Trading)

Article 25 When a Regular Member conducts the sale and purchase of Green Sheet Issues, etc. on its own account (hereinafter referred to as “Proprietary Trading”), it shall pay attention that fair price-formation and sound management are not damaged.

(Trading on Joint Accounts)

Article 26 A Regular Member must not conduct Over-the-Counter Transactions with other Regular Members or customers on a joint-account basis.

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

Article 27 A Regular Member must not conduct Over-the-Counter Transactions using unfair means, such as wash sales or collusive transaction.

(Excessive Trading)

Article 28 A Regular Member must not conduct Over-the-Counter Transactions in Green Sheet Issues, etc. that are deemed to be excessive on its own account or on the accounts of its affiliated companies, in consideration of its financial resources or trading conditions of the Green Sheet Issues.

(Kiting or Selling Off)

Article 29 A Regular Member must not engage in such acts as purchase of Green Sheet Issues, etc. by sequentially raising quotations or purchase prices, or sales of such issues by sequentially lowering quotations or sale prices with the objective of misleading other people, artificially disguising a boom, exerting an unfair impact on the market, or creating fictitious quotations that do not reflect actual market conditions.

(Prohibition of Accepting Orders without Limit Price, Margin Transactions and Over-the-Counter Transactions of Unissued Over-the-Counter Securities)

Article 30 Association member must not accept any orders without limit price for Green Sheet Issues, etc.

2. No Association Member must conduct margin transactions (including transactions by an

Association Member receiving credit) for Green Sheet Issues, etc.

3. No Association Member must conduct Over-the-Counter Transactions in unissued Green Sheet Issues.

Chapter 6 Trade Compliance Screening

(Trading Hours)

Article 31 The period during which a Regular Member may conduct Over-the-Counter Transactions in Green Sheet Issues, etc. is from 9:00 a.m. to 3:00 p.m. (excluding non-business days).

(Prohibition, Etc. of Unfair Trading Practices)

Article 32 When a Handling Member, etc., or a Special Member entrusted by such Handling Member, etc. to carry out Financial Instruments Intermediary Service conducts Over-the-Counter Transactions in Green Sheet Issues, etc., it must confirm that such Over-the-Counter Transactions do not violate any provisions of the FIEA, other related laws and regulations, and the Rules.

2. Handling Member, etc. must establish internal rules and trade compliance screening systems necessary to confirm the matters prescribed in the preceding Paragraph.

(Examination of Sale and Purchase)

Article 33 The Association shall examine sale and purchase of Green Sheet Issues, etc. that are set forth in each Item of the following:

- (1) Transactions of issues whose price or trading volume movement is abnormal;
 - (2) Sale and purchase of Green Sheet Issues, etc. for which material facts associated with the businesses, etc. prescribed in Article 166, Paragraph 1 of the FIEA regarding issuing company of Green Sheet Issues, etc., and facts of tender offer, etc., prescribed in Article 167, Paragraph 3 of the FIEA regarding Green Sheet Issues, etc. (hereinafter referred to as “Material Facts, etc.”) are publicly announced; and
 - (3) Sale and purchase of Green Sheet Issues, etc. for which the Association determines that examination is required.
2. Examination of sale and purchase of Green Sheet Issues, etc. set forth in each Item of the preceding Paragraph shall be conducted on matters set forth in each Item below and other items that are necessary:
- (1) Movement of price and trading volume;
 - (2) Sale or purchase by Association Members;
 - (3) Matters relating to entrusting customers and entrustment of sale or purchases by such entrusting customers; and
 - (4) Details of Material Facts, etc., and their announcement.

3. The Association may make inquiry to Association Members on Over-the-Counter Transactions of Green Sheet Issues, etc., when it believes necessary.

4. When an Association Member receives an inquiry, etc., from the Association on Over-the-Counter Transactions of Green Sheet Issues, etc. pursuant to the preceding Paragraph, the Association Member must immediately and correctly report the matters included in the inquiry, etc.

5. A Handling Member, etc. must designate the manager who is mainly responsible for inquiry, etc. on Green Sheet Issues, etc. set forth in the preceding Paragraph, and the responsible staff who is in charge of the inquires on Green Sheet Issues, etc. set forth in the preceding Paragraph, and such manager and responsible staff must be reported on a prescribed form to the Association. When the manager and/or responsible staff is changed, such change must be reported in a prescribed form to the Association.

(Suspension of Sale and Purchase)

Article 34 The Association may suspend Over-the-Counter Transactions in Green Sheet Issues, etc. as prescribed in each Item below in the cases set forth in each Item below:

- (1) In the event that a company issuing Green Sheet Issues asks for submission of share certificates due to a consolidation or split of shares or other similar reasons, and the Association deems necessary:

In principle, for a period from three (3) days before the expiration date for submission of share certificates (four (4) days before in the case where the expiration date falls on a non-business day) to the day before such consolidation or split of shares or other similar reasons goes into effect.

- (2) In the event that redemption by drawing is carried out for convertible-type bonds with share option, and the Association deems necessary:

In principle, for a period from three (3) days before the announcement date of numbers for redemption by drawing (four (4) days before in the case where the announcement date falls on a non-business day) to the announcement date of numbers.

- (3) In the event of dissemination of information concerning Green Sheet Issues, etc., or the issuing company thereof, which is deemed to be likely to materially affect the investors' investment judgment, if the content of such information is unclear or if the Association deems it necessary to make the content of such information publicly known:

For a period from the time when the Association deems necessary to the time of the elapse of fifteen (15) minutes after the Association confirms that the announcement or other release is made concerning the authenticity and contents of such information (to the time of the elapse of fifteen (15) minutes after the Association announces a decision to revoke the designation as Green Sheet Issues, etc., in the case where the content of the information falls under or is likely to fall under the causes for revocation of the designation) in the case where information is available concerning any facts which need to be reported regarding to Green Sheet Issues, etc., or the issuing company thereof under the Detailed Rules Concerning Report on Company Information; provided, however, that the Association may extend the period of suspension if the Association decides to revoke the designation of such issues as Green Sheet Issues, etc., or otherwise deems it appropriate to extend the suspension.

- (4) In the event that some abnormal movement is deemed to be found or likely to be found in trading

status, or it is otherwise deemed inappropriate to allow continuing Sale and Purchase from a trading management viewpoint:

For a period deemed necessary by the Association on each such occasion.

2. A Regular Member must not conduct Over-the-Counter Transactions in Green Sheet Issues, etc., while the Association suspends Over-the-Counter Transactions in Green Sheet Issues, etc. pursuant to the provisions of the preceding Paragraph.

Chapter 7 Provision and Report of Quotation and Report of Sale and Purchase

(Provision, Report, Publication, Etc. of Quotations)

Article 35 Handling Members, etc. must continuously provide asked quotations or bid quotations (hereinafter referred to as “Quotations”) serving as reference for Sale and Purchase prices in conducting Over-the-Counter Transactions in Green Sheet Issues, etc. for which it is designated as a Handling Member or Associate Handling Member, at the counters, etc. of Handling Departments or Branches every business day for issues with clear indications of daily publication, and at least once every week for issues with clear indications of weekly publication, as prescribed under the provision of Article 9, Paragraph 2 in effect before the revision of these Rules effective as of May 29, 2015; provided, however, that this shall not apply to cases specially approved by the Association, such as corporate acquisition, etc.

2. When a Handling Member, etc. provides Quotations of Green Sheet Issues, etc. at places other than its Handling Departments and Branches, it must clearly show Quotations as well as the Regular Member’s name, the names of its Handling Departments and Branches, and the date when the Quotations are provided.

3. Handling Members, etc. must report to the Association using the prescribed form on the latest Quotations it has provided pursuant to Paragraph 1 hereof by 5:00 p.m. of every business day for issues that are clearly indicated as subject to daily publication, and by 5:00 p.m. of every Monday (the following business day in the case where the given day is a non-business day) for issues that are clearly indicated as subject to weekly publication pursuant to the provision of Article 9, Paragraph 2 in effect before the revision of these Rules effective as of May 29, 2015.

4. When a Regular Member (excluding a Handling Member, etc., the same shall apply in Paragraph 6) applies for the sale or purchase of Green Sheet Issues, etc. to, and accept orders for sale or purchase of Green Sheet Issues, etc., from a number of persons at the same time on its own account, it must report to the Association using the prescribed form on the prices and quantities, etc. regarding the latest application by 5:00 p.m. of such business day for issues that are subject to daily publication, and by 5:00 p.m. of Monday of the week immediately following such business day for issues that are subject to weekly publication (the following business day in the case where the given day is a non-business day).

5. A Handling Member, etc. must report to the Association using the prescribed form on the details of Over-the-Counter Transactions in Green Sheet Issues, etc. for which it is designated as a Handling Member or Associate Handling Member, by 5:00 p.m. of every business day for issues that are clearly indicated as subject to daily publication, and by 5:00 p.m. of every Monday (the following business day in the case where the given day is a non-business day) for issues that are clearly indicated as subject to weekly publication pursuant to the provision of Article 9, Paragraph 2 in effect before the revision of these Rules effective as of May 29, 2015.

6. When a Regular Member conducts Over-the-Counter Transactions in Green Sheet Issues, etc., it must report to the Association using the prescribed form by 5:00 p.m. of such business day for issues that are clearly indicated as subject to daily publication, and by 5:00 p.m. of Monday of the week immediately

following such business day for issues that are clearly indicated as subject to weekly publication (the following business day in the case where the given day is a non-business day).

7. The Association shall publish Quotations and details of sale and purchase of Green Sheet Issues, etc. reported by Regular Members pursuant to the provisions of Paragraph 3 through the preceding Paragraph.

Chapter 8 Revocation of Designation

(Revocation of Designation as Handling Member)

Article 36 A Handling Member, etc. who desires revocation of designation as Handling Member, etc. must notify the Association using the prescribed form; provided, however, that in the cases where Handling Members have appointed a Representative Handling Member, and all Handling Members desire the revocation of the designations at the same time, the Representative Handling Member may perform the notification to the Association on behalf of each Handling Member.

2. A Handling Member that carried out Handling, etc. of Offering of Green Sheet Issues, etc. may not perform the notification prescribed in the preceding Paragraph before the elapse of six (6) months from the payment date or delivery date concerning such Offering; provided, however, that this shall not apply to cases specifically approved by the Association.

3. The notification prescribed in Paragraph 1 hereof must be performed by the previous day of the same day of the previous month in which the Handling Member desires the revocation (or the end of the previous month if there is no same day in the previous month); provided, however, that this shall not apply to the cases specifically approved by the Association.

4. In the case of the preceding Paragraph, unless the Association suspends the sale and purchase transaction of the issue under the provision of Article 34, the Handling Member, etc. who was the Handling Member, etc. at the time of submitting the application for revocation of designation must continue Over-the-Counter Transactions of such issue by one day before the date of revocation of designation in principle.

5. If Green Sheet Issues, etc. fall under any of the following Items, the Association may revoke all designations of Handling Members for such issue without receiving the notification prescribed in Paragraph 1:

- (1) Listing on financial instruments exchange:
In the case where Green Sheet Issues, etc. are listed on a financial instruments exchange.
- (2) Bankruptcy proceedings, reconstruction proceedings, or revitalization proceedings:
In the case where a company issuing Green Sheet Issues, etc. becomes subject to bankruptcy proceedings, reconstruction proceedings, or revitalization proceedings pursuant to the provisions of laws, or falls into a similar situation.
- (3) Suspension of bank transactions:
In the case where a bill or others drawn by a company issuing Green Sheet Issues, etc. is dishonored and thereby bank transactions are suspended or become certain to be suspended.
- (4) Suspension of business activities:
In the case where a company issuing Green Sheet Issues, etc. suspends its operations or business activities, or falls into a similar situation.

- (5) Delay in submission of Explanatory Note on Business Conditions, etc. :
In the case where a company issuing Green Sheet Issues, etc. fails to submit to the Association an Explanatory Note on Business Conditions, etc. (excluding current report) within one (1) month after the elapse of the period prescribed in Article 15, Paragraphs 1 and 6, or fails to submit to the Prime Minister securities report or semi-annual report within one (1) month after the elapse of the period prescribed in Article 24, Paragraph 1, or Article 24-5, Paragraph 1 of the FIEA.
- (6) A misstatement (in the case of a company that submits the securities report, a correction order (a correction order under the provision of Article 10 of the FIEA in principle (including cases where it applies *mutatis mutandis* to Article 24-2 and Article 24-5 of the FIEA) or under the provision of Article 23-10) or an order to pay surcharge (an order under the provision of Article 172-2, Paragraph 1 of the FIEA (including the cases where it applies *mutatis mutandis* to the same Article, Paragraph 4) or under the provision of Article 172-4, Paragraph 1 or Paragraph 2) by the Prime Minister is received; or the Prime Minister or the Securities and Exchange Surveillance Commission makes accusation under the provision of Article 197 or Article 207 of the FIEA, or in the case where a company submits a securities registration statement, issuance registration document, and issuance registration supplementary document including its attachments and reference materials, a securities report and its attachments, a semi-annual report and correction submission report related to a prospectus, a revised issuance registration document or revised report, such revised matters the Association determines material; in the case of a company that submits an Explanatory Note on Business Conditions, the issuing company of Green Sheet Issues, etc. revises the Explanatory Note on Business Condition, such revised matters the Association determines material) or qualified opinion:

In a case which falls under either of the following (a) or (b)

- (a) In the case where misstatements are included in an Explanatory Note on Business Conditions, etc. of a company issuing Green Sheet Issues, etc., and the Association deems their impact material; or
- (b) In the case where an audit report or semi-annual audit report with unqualified general opinions (stating that the results of audit were fair and proper) by a certified public accountant or an auditing corporation is not attached to a financial statement, consolidated financial statement, semi-annual financial statement, or consolidated semi-annual financial statement that a company issuing Green Sheet Issues, etc. includes in the Explanatory Note on Business Conditions, etc.
- (7) Improper reports of company information:
In the case where a Handling Member fails to submit proper and timely reports on company information as prescribed in Article 16, Paragraph 1, Article 17, Paragraph 2, and Article 18, Paragraph 1 for a company issuing Green Sheet Issues, etc. and the Association deems that such failure is material.
- (8) Entrustment of share administration work to an administrator of shareholder registry:
In the case where a company issuing Green Sheet Issues, etc. decides to cease or will surely cease entrustment of share administration work to an administrator of shareholder registry (or an administrator of the investors' registry, etc. prescribed in Article 166, Paragraph 2, Item 8 of the Investment Trust Act, in the case where such securities are the Investment Securities, etc.).
- (9) Transfer restrictions:
In the case where a company issuing Green Sheet Issues, etc. decides to restrict transfers of such issues.

- (10) Acquisition of all shares:
In the case where a company issuing Green Sheet Issues, etc. acquires all issued and outstanding shares related to such issues.
- (10)-2 Acquisition through a demand for share, etc. cash-out (meaning a Demand for Share, etc. Cash-Out prescribed in Article 179-3, Paragraph 1 of the Companies Act):
In the case where special controlling shareholders (meaning Special Controlling Shareholders prescribed in Article 179, Paragraph 1 of the Companies Act) acquire all issued and outstanding shares related to such issues of a company issuing Green Sheet Issues, etc.
- (11) Becoming a wholly-owned subsidiary:
In the case where a company issuing Green Sheet Issues, etc. becomes a wholly owned subsidiary of another company by share swap or transfer.
- (12) Decrease of book-entry transfer through the designated book-entry transfer organization:
In the case where, after the designation of Phoenix Issue, the annual number of book-entry transfers by the designated book-entry transfer organization is less than 10 in two consecutive calendar years (excluding the year when such issue is designated as Phoenix Issue).
- (13) In case it is found that the issuing company of Green Sheet Issues, etc. is the Antisocial Force, or the issuing company has the following relationship with the Antisocial Forces:
- (a) The relationship in which any of those set forth from (i) through (iii) is the Antisocial Force:
 - (i) Parent company, etc. (Parent company or other affiliated company as prescribed in Article 8, Paragraph 17, Item 4 of the Financial Statements Rules; the same shall apply hereinafter in this Item) of the issuing company of Green Sheet Issues, etc.;
 - (ii) Subsidiary of the issuing company of Green Sheet Issues, etc.;
 - (iii) Officers (directors, accounting counselor (if the accounting counselor is a corporation, including the staff members who assume such responsibilities), auditors, executive officers (including governors and inspectors and other equivalent staff members) of the issuing company of Green Sheet Issues, etc.
 - (b) The relationship in which the Antisocial Forces are involved in the management of the issuing company of Green Sheet Issues, etc. other than the cases mentioned in (a).
- (14) Others:
In addition to the preceding Items, whenever the Association judges it appropriate to revoke the designation of such issues as Green Sheet Issues, etc. for the public interest or for the protection of investors.

6. The Association may revoke or suspend for a prescribed period the designation of Handling Member or Associate Handling Member if it deems necessary due to causes such as violations of laws and regulations and the rules of the Association.

7. The Association shall revoke or suspend the designation of Handling Member or Associate Handling Member on the date desired by a Handling Member who performed the notification in Paragraph 1 hereof if receiving the notification, or on the date deemed necessary by the Association in the cases of the previous two Paragraphs. In this case, the Association shall publish to that effect before it revokes or

suspends such designation in advance.

8. A Regular Member shall continue to bear its obligations and responsibilities having arisen while it was a Handling Member or Associate Handling Member even after its designation is revoked under the provision of the preceding Paragraph.

(Revocation of Designation as Green Sheet Issues)

Article 37 The Association shall revoke the designation of Green Sheet Issues, etc. for which no Handling Member exists.

2. If there still exists any Regular Member who is designated as an Associate Handling Member when the Association revokes designation of Green Sheet Issues, etc. pursuant to the preceding Paragraph, the Association shall revoke designations of all Associate Handling Members at the time when it revokes the designations of Green Sheet Issues, etc.

3. In the cases of the previous two Paragraphs, the Association shall publish to that effect at the time when it makes a public announcement as prescribed in Paragraph 7 of the preceding Article regarding the last Handling Member.

Chapter 9 Exceptional Cases to Restrictive Solicitation to Qualified Institutional Investors

(Exceptional Cases to Restrictive Solicitation to Qualified Institutional Investors)

Article 38 In Offering of Green Sheet Issues, etc., if a Regular Member (excluding a Handling Member, etc. of such issues; the same shall apply hereinafter in this Article) or a Special Member entrusted by such a Regular Member to carry out Financial Instruments Intermediary Service carries out such Handling, etc. of Offering, and solicits only qualified institutional investors to invest on the condition that transfer restrictions are imposed on the Green Sheet Issues, etc. acquired through such Offering, the provisions of the Chapter 7 shall not apply to such a Regular Member.

2. The provisions of Article 4, Paragraphs 2 and 3 of the OTC Securities Rules shall apply *mutatis mutandis* to the transfer restrictions prescribed in the preceding Paragraph. In this case, the term “OTC Securities” shall be changed to read “Green Sheet Issues, etc.”

3. A Regular Member who intends to conduct the investment solicitation prescribed in Paragraph 1 hereof must notify the Association using the prescribed form no later than 5 business days before the date on which such investment solicitation starts.

Chapter 10 Miscellaneous Provisions

(Distribution to Customers)

Article 39 A Handling Member, etc., or a Special Member entrusted by such Handling Member, etc. to carry out Financial Instruments Intermediary Service must undertake the public offering or secondary offering, or engage in secondary offering of Green Sheet Issues, etc. in a proper manner based on the “Rules Concerning Distribution to Customers in Underwriting of Offering of Shares, etc.”

(Delivery, Etc. Using Electromagnetic Methods)

Article 40 In substitution for the collection of a written confirmation concerning a transaction of Green Sheet Issues, etc. prescribed in Article 19, Paragraph 2, Association Members may use methods employing electronic information processing systems or other information technologies to collect the items to be described in the document pursuant to the “Rules Concerning the Treatment of Submission, Etc. of Documents Using Electromagnetic Methods.” In this case, the Association Members will be regarded as having collected the document.

(Guidance and Supervision to Financial Instruments Intermediary Service Provider)

Article 41 A Regular Member must guide and supervise a Financial Instruments Intermediary Service Provider to whom it has entrusted Financial Instruments Intermediary Service, to ensure compliance with the provisions of Paragraph 7 of Article 16, Paragraph 4 of Article 17, Paragraph 2 of Article 18, Article 20, Article 21, Paragraph 2 of Article 34, and Paragraphs 1 and 2 of Article 38.

(Contribution to the System of Green Sheet, Etc.)

Article 42 A Handling Member, etc. must pay to the Association contributions to the system of Green Sheet, etc. as prescribed by the Association; provided, however, the contributions may be paid by a company issuing such Green Sheet Issue, etc.

2. In the case of the proviso of the preceding Paragraph, a Handling Member (or Representative Handling Member if appointed) must be responsible for supervising the company issuing the Green Sheet Issue, etc. to pay the contributions to the system of Green Sheet, etc.

(Instructions related to a System to Eliminate the Antisocial Forces)

Article 43 A Handling Member of Green Sheet Issues, etc. (or a Representative Handling Member if the Representative Handling Member is appointed by the Handling Members) must give proper instruction to the issuing company about the system to eliminate the Antisocial Forces that should be established by the issuing company of Green Sheet Issues, etc.

SUPPLEMENTARY PROVISIONS [Partial]

1. These Rules as revised shall come into effect as of May 29, 2015.
2. Given that the Green Sheet Issues system is to be abolished as of March 31, 2018, Handling Members shall fully inform issuers, investors, and other related persons of such abolition and its impacts and implement other effective measures in order not to cause confusion among those persons.
3. Notwithstanding the provisions of Article 15, Paragraph 9, Article 16, Paragraph 8, Article 17, Paragraph 3, and Article 18, Paragraph 3 in effect before the revision, the publication of information for public inspection related to Green Sheet Issues under those provisions shall be discontinued on March 31, 2018

(Note) These Rules are based on the version in effect as of January 1, 2016.

<p>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.</p>
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(Annex)

Criteria for Judgment under the Provision of Article 13, Paragraph 1

I. In the case where an issue is classified into the Emerging Section after submission of the Explanatory Note on Business Conditions

- (1) The actual figures of (a) Sales, (b) Operating profits, or (c) Ordinary profits, respectively in the business year that includes the date one year after the designation date.
- (2) The actual figures of (a) Sales, (b) Operating profits, or (c) Ordinary profits, respectively in the business year immediately before the designated date.
- (3) The estimated figures of (a) Sales, (b) Operating profits, or (c) Ordinary profits, respectively, described in the Explanatory Note on Business Conditions at the time of designation in the business year that includes the date one year after the designated date, and.

* The revision of estimated figures at the time of designation in Emerging Section shall not be reflected in those figures.

1. When both sales and profits are estimated to increase [(3) - (2) > 0]

$$\frac{(1) - (2)}{(3) - (2)} \times 100$$

(When calculating the above figure (1) through (3), the figures in the same item from (a) to (c), respectively, shall be used to calculate each figure.)

If all the figures on sales, operating profits, or ordinary profits that are obtained from the above formula are less than 50, a notification must be submitted to change the designation from the Emerging Section to the Ordinary Section.

2. When sales are estimated to increase but profits are estimated to decrease [(3) - (2) ≤ 0]

If all the figures in (1) on sales, operating profits, and ordinary profits are less than (3), a notification must be submitted to change the designation from Emerging Section to Ordinary Section.

II. In the case where the issue is designated in the Emerging Section by submitting securities registration statement or securities report under the FIEA,

The business growth potential of the issue shall be reviewed. If it is judged that no business growth potential is recognized, a notification must be submitted to change the designation from the Emerging Section to the Ordinary Section.