

RULES CONCERNING EQUITY-BASED CROWDFUNDING BUSINESS

(May 19, 2015)

CHAPTER I GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Equity-Based Crowdfunding Business (hereinafter referred to as the “Rules”) is to prescribe necessary matters concerning the Equity-Based Crowdfunding Business conducted by Regular Members, etc. in connection with Over-the-Counter Securities and to ensure proper business operations and protection of investors, thereby promoting proper understanding of Equity-Based Crowdfunding and risks inherent therein, facilitating utilization of Equity-Based Crowdfunding based on such understanding, and contributing to efficient supply of risk money to emerging growth enterprises.

(Definitions)

Article 2 In these Rules, the definition of the term set forth in each of the following Items shall be 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 the “OTC Securities Rules”);

(2) Equity-Based Crowdfunding Business:

Type I Small Amount Electronic Offering Handling Business (meaning the Type I Small Amount Electronic Offering Handling Business prescribed in Article 29-4-2, Paragraph 10 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”)) conducted by Regular Members, etc. in connection with share certificates or share option certificates among Over-the-Counter Securities;

(3) Regular Member, etc.:

Regular Member and Specified Business Member (meaning Specified Business Member conducting only the business set forth in Article 5, Item 2 (b) of the Articles of Association; the same applies hereinafter);

(4) Issuer:

An issuer of Over-the-Counter Securities to be handled in Equity-Based Crowdfunding Business;

(5) Antisocial Forces:

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

(Prohibition of Concurrent Handling, Etc. of Offerings, Etc. in Shareholders Communities)

Article 3 If a Regular Member serves as an Operating Member (meaning an Operating Member prescribed in Article 2, Item 4 of the Rules Concerning Shareholders Community) for certain Shareholders Community Issues (meaning Shareholders Community Issues prescribed in Item 5 of the same Article; the same applies hereinafter), the Regular Member must not perform Equity-Based Crowdfunding Business for those Shareholders Community Issues during the periods for which the Regular Member handles any public offering, private placement, secondary distribution, or private secondary distribution (meaning solicitation for sales that falls under any of (a) to (c) of Article 2,

Paragraph 4, Item 2 of the FIEA; the same applies hereinafter) or carries out any secondary distribution or private secondary distribution for those issues.

CHAPTER II EQUITY-BASED CROWDFUNDING BUSINESS

(Examination of Issuers)

Article 4

1. When conducting Equity-Based Crowdfunding Business, Regular Members, etc. must strictly examine Over-the-Counter Securities in advance, with respect to the matters set forth in the following Items, in accordance with their internal rules established pursuant to the provisions of Article 17:
 - (1) Whether the Issuer and its business really exist;
 - (2) Financial status of the Issuer;
 - (3) Adequacy of the Issuer's business plan;
 - (4) The Issuer's social mind including the compliance with laws and regulations;
 - (5) Whether the Issuer falls under Antisocial Forces, whether the Issuer has any relationship with Antisocial Forces, and the Issuer's mechanism to eliminate relationships with Antisocial Forces and the status of its operation;
 - (6) The status of relationships between the Regular Member, etc. and the Issuer as interested parties;
 - (7) Risks in investing in the said Over-the-Counter Securities;
 - (8) Purpose of use of the funds to be raised;
 - (9) The Target Offering Amount (meaning the Target Offering Amount prescribed in Article 70-2, Paragraph 2, Item 3 of the Cabinet Office Ordinance on Financial Instruments Business, etc.(hereinafter referred to as the FIBCOO); the same applies hereinafter), which must be set at an appropriate amount in light of the Issuer's business plan.
2. When conducting Equity-Based Crowdfunding Business, Regular Members, etc. shall pay attention, among others, to the following points: whether or not each Issuer can meet expectations of investors over the years, whether or not the Issuer deserves the fund-raising intended by the Equity-Based Crowdfunding Business, and whether or not the Issuer's company information is prepared in accordance with relevant laws and regulations. If the fund-raising intended by the Equity-Based Crowdfunding Business is found to be inappropriate as a result of the examination, the Regular Members, etc. must not perform the Equity-Based Crowdfunding Business.
3. When a public offering or private placement for the Over-the-Counter Securities to be handled in Equity-Based Crowdfunding Business fails to fulfill the requirements set forth in Article 15-10-3, Item 1 of the Financial Instruments and Exchange Act Enforcement Order (hereinafter referred to as the "FIEAEO"), Regular Members, etc. must not perform the Equity-Based Crowdfunding Business.
4. After the examination referred to in Paragraph 1, Regular Members, etc. must prepare a record stating the content of the examination, reasons for judging the results of the examination, problems discovered in the process of the examination, and other details, which record must be retained in writing or by electromagnetic means for the period of 10 years from the date of completion of the examination.

(Conditions for Elimination of Antisocial Forces in Contract with Issuers)

Article 5 In connection with their Equity-Based Crowdfunding Business, Regular Members, etc. must conclude a written contract containing the matters set forth in the following Items with each Issuer:

- (1) The Issuer makes a commitment that it is not any Antisocial Force;
- (2) A contract related to the Equity-Based Crowdfunding Business executed for any Over-the-Counter Securities to be issued by the Issuer will be terminated at the request of the Regular Member, etc., if the commitment referred to in the preceding Item is found to be false;
- (3) A contracts related to the Equity-Based Crowdfunding Business executed for any Over-the-Counter Securities to be issued by the Issuer will be terminated at the request of the Member if the Issuer is found to fall under Antisocial Forces.

(Elimination of Antisocial Forces Associated with Issuers)

Article 6

1. If an Issuer is found to fall under Antisocial Forces or to have any relationship with Antisocial Forces before a Regular Member, etc. commences its Equity-Based Crowdfunding Business, the Regular Member, etc. must not perform the Equity-Based Crowdfunding Business for any Over-the-Counter Securities issued by the Issuer.
2. If an Issuer is found to fall under Antisocial Forces or to have any relationship with Antisocial Forces after a Regular Member, etc. commences its Equity-Based Crowdfunding Business, the Regular Member, etc. must immediately terminate the Equity-Based Crowdfunding Business.

(Prohibition of Equity-Based Crowdfunding Business Due to Violation of Laws and Regulations, Etc.)

Article 7 If a Regular Member, etc. is required to take measures for improvement of its business administration systems, etc. due to such reasons as a violation of laws and regulations or any rules of the Association, the Regular Member, etc. must not conduct Equity-Based Crowdfunding Business during that period.

(Handling upon Change in Circumstances, Etc. after Commencement of Equity-Based Crowdfunding Business)

Article 8 If a Regular Member, etc. finds any circumstances differing from or subsequently changing from those examined under Article 4, Paragraph 1 after commencing the Equity-Based Crowdfunding Business and the Regular Member, etc. is therefore forced or likely to be forced to change its judgment made under the same Article, the Regular Member, etc. must carefully operate the Equity-Based Crowdfunding Business in such a way as to disclose the latest circumstances by the means prescribed in Article 146-2, Paragraph 4 of the FIBCOO.

(Provision of Information on Websites)

Article 9

1. When implementing the measure prescribed in Article 43-5 of the FIEA, Regular Members, etc. must implement a measure similar thereto with regard to the matters set forth in the following Items, in addition to what is prescribed in Article 146-2 of the FIBCOO:
 - (1) A statement that it is conducting as Equity-Based Crowdfunding Business;
 - (2) Subscription requirements prescribed in Article 199, Paragraph 2 or Article 238, Paragraph 1 of the Companies Act;
 - (3) A statement that the acquisition of Over-the-Counter Securities handled in the Equity-Based Crowdfunding Business should be motivated primarily by sympathy for or support to the Issuer of the Over-the-Counter Securities and its business, rather than a desire to pursue dividends, gains on the sale of those securities, or other financial benefits;
 - (4) The fact that the duty of disclosure equivalent to the duty of disclosure required under the FIEA or timely disclosure required by applicable rules of financial instruments exchanges does not apply to the Over-the-Counter Securities to be acquired by customers;

- (5) The fact that Issuer's financial information was not audited by a certified public accountant or audit corporation, if this fact is applicable;
- (6) A statement that the individual amount to be paid in by each customer for Over-the-Counter Securities to be acquired by the customer (meaning the Individual Amount to be Paid In prescribed in Article 16-3, Paragraph 2 of the FIBCOO) in the Equity-Based Crowdfunding Business must fulfill the requirements set forth in Article 15-10-3, Item 2 of the FIEAEO;
- (7) The fact about the Over-the-Counter Securities to be acquired by customers that there are no quotations or market prices which can be used as reference for trading and that their liquidity is extremely low;
- (8) The possibility that the Issuer may reject to approve a transfer of rights on the occasion of any subsequently intended sale or purchase of the Over-the-Counter Securities acquired by customers if transfer restrictions are imposed on those securities;
- (9) The possibility that no dividend may be paid even when the Over-the-Counter Securities acquired by customers are share certificates;
- (10) The fact that no redemption or interest payment will be made for the Over-the-Counter Securities acquired by customers, unlike corporate bond certificates;
- (11) Risks that the value of the Over-the-Counter Securities acquired by customers may be significantly impaired or even nullified;
- (12) The fact that the Regular Member, etc. cannot reply, by any means (such as telephone, personal visits, etc.) other than those prescribed in the respective Items of Article 6-2 of the FIBCOO, to any inquiries from investors about Over-the-Counter Securities handled by the Regular Member in its Equity-Based Crowdfunding Business and about their Issuers;
- (13) The methods of communication available for investors to make inquiries about the Equity-Based Crowdfunding Business to the Regular Member, etc.;
- (14) A condition that the subscription amounts paid in by customers will be paid to the Issuer even when the Target Offering Amount is not achieved within the subscription period (meaning the subscription period prescribed in Article 70-2, Paragraph 2, Item 4 of the FIBCOO), if this condition is applicable;
- (15) The method allowing customers to confirm the status of delivery of Over-the-Counter Securities related to the Equity-Based Crowdfunding Business, if the Regular Member, etc. is to keep money deposited by customers;
- (16) Matters concerning administration of shareholder or holder of share options by the Issuer;
- (17) The method of regularly keeping customers informed of business operations of the Issuer of the Over-the-Counter Securities handled in the Equity-Based Crowdfunding Business after the customers pay in their subscription amounts for the securities acquired;
- (18) The facts that, in the case of a Specified Business Member, it is not bound by the rules on the capital adequacy ratio prescribed in Article 29-4, Paragraph 1, Item 6 (a) and Article 46-6 of the FIEA, is not obligated to join an Investor Protection Fund prescribed in Article 79-27, Paragraphs 1 and 2 of the FIEA, and is unable to keep certificates of Over-the-Counter Securities pursuant to the provisions of Article 29-4-2, Paragraphs 9 and 10 of the FIEA;
- (19) Details of interests between the Regular Member, etc. and the Issuer if they are interested parties;
- (20) Risks in investing in the Over-the-Counter Securities handled in the Equity-Based Crowdfunding Business;
- (21) Explanatory documents stating the status of business and assets of the Regular Member, etc., prepared pursuant to Article 46-4 of the FIEA, and a document stating capital adequacy ratio of the Regular Member, prepared pursuant to Article 46-6, Paragraph 3 of the FIEA.

2. Regular Members, etc. must implement a measure similar to the measure prescribed in Article 146-2, Paragraph 2 of the FIBCOO with regard to the matters set forth in Items 4 to 11, 14, and 20 of the preceding Paragraph.

(Documents for Delivery Prior to Conclusion of Contract)

Article 10

1. When conducting Equity-Based Crowdfunding Business, Regular Members, etc. shall describe at least the matters set forth in the respective Items of Paragraph 1 of the preceding Article (excluding Item 21; hereinafter the same applies in this Article) on documents for delivery prior to the conclusion of a contract which Regular Members, etc. are supposed to deliver pursuant to Article 37-3, Paragraph 1 of the FIEA to their customers (excluding Professional Investors (Professional Investors prescribed in Article 2, Paragraph 31 of the FIEA (excluding persons deemed to be a customer other than Professional Investors pursuant to the provision of Article 34-2, Paragraph 5 of the FIEA and including persons deemed to be a Professional Investor pursuant to the provision of Article 34-3, Paragraph 4 of the FIEA (including cases where the same provision is applied *mutatis mutandis* pursuant to the provision of Article 34-4, Paragraph 6 of the FIEA); hereinafter the same applies in the following Article). However, the descriptions for the matters set forth in any Items of Paragraph 1 of the preceding Article may be changed only in the case where those matters are not applicable.
2. In the case referred to in the preceding Paragraph, Regular Members, etc. must implement a measure similar to the measure prescribed in Article 79, Paragraph 2 of the FIBCOO with regard to the matters set forth in Items 4 to 11, 14, and 20 of Paragraph 1 of the preceding Article.

(Collection of Confirmation Letter, Etc.)

Article 11 In order to get a confirmation from a customer who is going to acquire Over-the-Counter Securities handled in Equity-Based Crowdfunding Business for the first time that the customer has understood risks in financial instruments transactions and the details of fees, etc. described in the documents for delivery prior to the conclusion of a contract and will make a final decision on such acquisition on the customer's responsibility, Regular Members, etc. must, in advance, prepare a document in the prescribed form containing the matters set forth in Paragraph 1 of the preceding Article and deliver this document to the customer and collect a confirmation letter concerning acquisition of the Over-the-Counter Securities handled in the Equity-Based Crowdfunding Business.

(Prohibition of Concurrent Use of Unspecified Solicitation Methods)

Article 12 Regular Members, etc. must not use any means (such as telephones, personal visits, etc.) other than those prescribed in the respective Items of Article 6-2 of the FIBCOO for investment solicitation in their Equity-Based Crowdfunding Business.

(Confirmation of Amounts Paid In under Small Amount Requirements)

Article 13 When intending to have customers acquire Over-the-Counter Securities in Equity-Based Crowdfunding Business, Regular Members, etc. must confirm that the amount paid in by each customer fulfills the requirements set forth in Article 15-10-3, Item 2 of the FIEAEO.

(Separate Management of Customer Assets)

Article 14 If Regular Members, etc. intend to have customers acquire Over-the-Counter Securities in Equity-Based Crowdfunding Business and keep money deposited by those customers, Regular Members, etc. must ensure separate management for such deposited money in an appropriate manner in accordance with the FIEA.

(Proper Allocation)

Article 15 When conducting Equity-Based Crowdfunding Business, Regular Members, etc. must

ensure fairness in allocation of Over-the-Counter Securities handled in their Equity-Based Crowdfunding Business, taking investment needs and other trends into full consideration, and endeavor to avoid unfounded partiality wherein the securities will be preferentially allocated to specific investors without reasonable grounds.

(Subsequent Provision of Information by Issuers on Regular Basis)

Article 16

1. Regular Members, etc. must conclude a contract with each of the Issuers of Over-the-Counter Securities handled in their Equity-Based Crowdfunding Business in order to ensure that the Issuers will regularly provide appropriate information about their business operations to customers acquiring relevant Over-the-Counter Securities after they pay in their subscription amounts.
2. Regular Members, etc. must verify whether the Issuers provide information in accordance with their contract referred to in the preceding Paragraph.

CHAPTER III DEVELOPMENT OF BUSINESS ADMINISTRATION SYSTEMS

Section 1 General Rules

(Internal Rules and Operational Guidelines)

Article 17

1. Regular Members, etc. intending to engage in Equity-Based Crowdfunding Business must establish their internal rules, which shall prescribe matters necessary for executing their Equity-Based Crowdfunding Business in compliance with the FIEA and these Rules, and those Regular Members, etc. must develop systems to properly implement the matters prescribed in those internal rules.
2. Regular Members, etc. must prepare operational guidelines based on the internal rules prescribed in the preceding Paragraph and submit those guidelines to the Association.
3. Regular Members, etc. must make the operational guidelines referred to in the preceding Paragraph available for inspection by investors by the means prescribed in Article 146-2, Paragraph 4 of the FIBCOO.
4. If Regular Members, etc. change any content of the operational guidelines referred to in Paragraph 2, those Regular Members, etc. must implement the measures referred to in the preceding two Paragraphs for the changed content and the revised guidelines.

(Development of Systems for Responding to Inquiries from Investors)

Article 18 Regular Members, etc. intending to engage in Equity-Based Crowdfunding Business must develop the systems necessary for properly responding to inquiries from investors about Equity-Based Crowdfunding Business.

Section 2 Development of Systems for Elimination of Antisocial Forces

(Elimination of Antisocial Forces)

Article 19

1. When a Specified Business Member knows that the counterparty is an Antisocial Force, the Specified Business Member must, in principle, not conduct Equity-Based Crowdfunding Business with such counterparty.

2. When a Specified Business Member knows that the counterparty is an Antisocial Force, the Specified Business Member must not offer funds or other benefits to such counterparty.

(Establishment and Announcement of Basic Policies)

Article 20

1. Specified Business Members must establish basic policies to eliminate relationships with Antisocial Forces (hereinafter referred to as the “Basic Policies”).
2. Specified Business Members must familiarize their personnel with their Basic Policies and publicly announce the Basic Policies or their outline.

(Commitment of Not Being Antisocial Forces)

Article 21 If intending to have customers acquire Over-the-Counter Securities in Equity-Based Crowdfunding Business, Specified Business Members shall, on the occasion of each transaction, obtain a commitment from each customer to the effect that the customer is not an Antisocial Force. In addition, each of such customers must agree that the contract pertaining to acquisition of relevant Over-the-Counter Securities may be terminated by notification from the Specified Business Member if the customer’s commitment is found to be false.

(Implementation of Examination)

Article 22 When intending to have customers acquire Over-the-Counter Securities in Equity-Based Crowdfunding Business, Specified Business Members must endeavor to examine whether or not each customer falls under Antisocial Forces on the occasion of each transaction with the customer.

(Prohibition of Conclusion of Contracts)

Article 23 If the examination prescribed in the preceding Article finds that a customer is an Antisocial Force, the Specified Business Members must not conclude any contract related to Equity-Based Crowdfunding Business with this customer.

(Development of Internal Administration Systems)

Article 24

1. Specified Business Members must establish internal rules to implement the Basic Policies and obligate all of their officers and employees to comply with them.
2. Specified Business Members must endeavor to develop and improve administration systems for elimination of relationships with Antisocial Forces such as gathering information about Antisocial Forces, internal educations and training, pursuant to the internal rules prescribed in the preceding Paragraph.

(Collaboration and Cooperation with the Association and Police, Etc.)

Article 25

1. Specified Business Members must endeavor to collaborate and cooperate with the Association, the police, and other relevant organizations in order to eliminate relationships with Antisocial Forces.
2. When a dispute arises between a Specified Business Member and any Antisocial Forces, the Specified Business Member must promptly contact or seek consultation from lawyers, the Association, the police, or other relevant organizations or take other steps and thereby endeavor to prevent damages caused by Antisocial Forces.

CHAPTER IV MISCELLANEOUS PROVISIONS

(Reporting on Equity-Based Crowdfunding Business to the Association)

Article 26

1. Regular Members, etc. must report the status of their Equity-Based Crowdfunding Business to the Association in accordance with the categories of the cases respectively set forth in the following Items, by the days prescribed in the respective Items, pursuant to the provisions separately specified by the Association.
 - (1) In the case where the period for the Equity-Based Crowdfunding Business for a certain type of Over-the-Counter Securities does not expire on the last day of the calendar month in which the Equity-Based Crowdfunding Business are commenced
10th day of the immediately following calendar month (or its immediately following business day if it falls on a nonbusiness day)
 - (2) In the case where the period for the Equity-Based Crowdfunding Business for a certain type of Over-the-Counter Securities has expired
10th day of the calendar month immediately following the calendar month in which the expiration date falls (or its immediately following business day if it falls on a nonbusiness day)
2. The Association will publicly announce the contents reported pursuant to the preceding Paragraph.

(Inquiries, Etc. by the Association)

Article 27

1. When the Association finds it necessary, the Association may make inquiries to, hold hearings from, or demand submission of materials by Regular Members, etc. in connection with the content of their operational guidelines or the status of their Equity-Based Crowdfunding Business.
2. Regular Members, etc. must respond to inquiries, hearings, or a demand for submission of operational guidelines prescribed in the preceding Paragraph.

(Delivery, etc. Using Electromagnetic Methods)

Article 28

1. In substitution for the delivery of a document prescribed in Article 11, pursuant to the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Method (hereinafter referred to as the “Electric Document Delivery Rules”),” Regular Members, etc. may use methods employing electronic information processing systems or other information technologies to provide the matters to be stated in the document. In such a case, the Regular Members, etc. shall be regarded as having delivered the document.
2. In substitution for the collection of a confirmation letter concerning acquisition of the Over-the-Counter Securities handled in the Equity-Based Crowdfunding Business prescribed in Article 11, pursuant to the “Electric Document Delivery Rules,” Regular Members, etc. 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 Regular Members, etc. shall be regarded as having collected the confirmation letter.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) These Rules are based on the version in effect as of January 1, 2018.

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.