

# **RULES CONCERNING SHAREHOLDERS COMMUNITY**

(May 19, 2015)

## **CHAPTER I GENERAL PROVISIONS**

### **(Purpose)**

**Article 1** The purpose of the Rules Concerning Shareholders Community (hereinafter referred to as the “Rules”) is to prescribe necessary matters concerning transactions of Shareholders Community Issues, while their transferability is limited, and to ensure adequate business operations for those transactions, thereby promoting proper understanding of the shareholders community system and risks inherent therein, facilitating utilization of shareholders communities based on such understanding, and ultimately ensuring fair and efficient trading of Shareholders Community Issues and contributing to the protection of investors.

### **(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) Over-the-Counter Transactions:

Over-the-Counter Transactions prescribed in Article 2, Item 2 of the OTC Securities Rules;

(3) Shareholders Community:

A group joined by investors who are interested in investing in a certain issue of Over-the-Counter Securities;

(4) Operating Member:

A Regular Member designated by the Association as an operator of Shareholders Communities;

(5) Shareholders Community Issue:

Over-the-Counter Securities for which an Operating Member operates a Shareholders Community, wherein the Operating Member solicits investments;

(6) Antisocial Forces:

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

### **(Prohibition of Concurrent Operation of Equity-Based Crowdfunding Business)**

**Article 3** During the periods for which a Regular Member handles certain Over-the-Counter Securities in its Equity-Based Crowdfunding Business (meaning Equity-Based Crowdfunding Business prescribed in Article 2, Item 2 of the Rules Concerning Equity-Based Crowdfunding Business), the Regular Member must not engage in handling of public offering, private placement, secondary distribution or private secondary distribution (meaning solicitation for sales that falls under any of Sub-items (a) to (c) of Article 2, Paragraph 4, Item 2 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”); the same applies hereinafter) or secondary distribution or private secondary distribution (hereinafter referred to “Handling, etc. of Offerings,

etc.”) for those Over-the-Counter Securities in the Shareholders Community.

## **CHAPTER II FORMATION OF SHAREHOLDERS COMMUNITY**

### **(Formation of Shareholders Community)**

#### **Article 4**

1. When forming a Shareholders Community, Regular Members must obtain the designation from the Association under Article 26, Paragraph 3.
2. Shareholders Communities operated by an Operating Member must be formed on an issue-to-issue basis.
3. Regular Members must not form Shareholders Community for any of Over-the-Counter Securities that are delisted by a financial instruments exchange uninterruptedly after the period of their listing.

### **(Examination of Issuers)**

#### **Article 5**

1. Regarding Over-the-Counter Securities for which a Shareholders Community intends to be formed, when they are not found appropriate as Shareholders Community Issues as a result of a strict examination with respect to the matters set forth in the following Items, in accordance with the internal rules established by an Operating Member pursuant to the provisions of Article 25, the Operating Member must not form any Shareholders Community for such Over-the-Counter Securities:
  - (1) Whether the issuer and its business really exist;
  - (2) Financial status of the issuer;
  - (3) The issuer’s social mind including the compliance with laws and regulations;
  - (4) 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;
  - (5) The status of relationships between the Operating Member and the issuer as interested parties;
  - (6) Risks in investing in the Over-the-Counter Securities.
2. After the examination referred to in Paragraph 1, the Operating Member shall 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, and such record must be retained in writing or by electromagnetic means for the period of five years from the date of completion of the examination or the date of dissolution of the Shareholders Community, whichever is later.

### **(Conditions of Contract for Elimination of Antisocial Forces)**

**Article 6** When intending to form a Shareholders Community, the Operating Member must conclude a written contract containing the matters set forth in the following Items with the issuer:

- (1) The issuer makes a commitment that it is not any Antisocial Force;
- (2) The contract related to the Shareholders Community for any of Over-the-Counter Securities issued by the issuer will be terminated at the request of the Operating Member if the commitment referred to in the preceding Item is found to be false;
- (3) The contract related to the Shareholders Community for any of Over-the-Counter

Securities issued by the issuer will be terminated at the request of the Operating Member if the issuer is found to fall under Antisocial Forces.

**(Elimination of Antisocial Forces)**

**Article 7**

1. If an issuer is found to fall under Antisocial Forces or have any relationship with Antisocial Forces before an Operating Member forms a Shareholders Community, the Operating Member must not form a Shareholders Community for any of Over-the-Counter Securities issued by this issuer.
2. If the issuer is found to fall under Antisocial Forces or have any relationship with Antisocial Forces after an Operating Member forms a Shareholders Community, the Operating Member must immediately dissolve the Shareholders Communities involving this issuer.

**(Handling of Offerings)**

**Article 8**

1. When handling a public offering or private placement of Shareholders Community Issues, an Operating Member must strictly examine the adequacy of the issuer's business plan, the adequacy of the purpose of use of the funds to be raised by handling the public offering or private placement, the purpose of use of the funds raised by any previous public offering or private placement handled by the Operating Member for the Shareholders Community Issues, and the matters set forth in the respective Items of Article 5, Paragraph 1.
2. The provision of Article 5, Paragraph 2 applies *mutatis mutandis* to the examination referred to in the preceding Paragraph.

**CHAPTER III PARTICIPATION IN AND WITHDRAWAL FROM  
SHAREHOLDERS COMMUNITY**

**(Shareholders Community Participation Procedure and Prohibition of Solicitation for Participation)**

**Article 9**

1. Except where receiving an application for participation in a Shareholders Community from an investor, Operating Members must not carry out the procedure for the investor's participation in the Shareholders Community.
2. Operating Members must not solicit participation in any Shareholders Community.
3. Operating Members must provide the information set forth in the following Items to those who have applied for participation in a Shareholders Community:
  - (1) Basic information about the issuer of Shareholders Community Issues such as its business year, the timing for the annual shareholders meeting, and the reference date for voting rights at the annual shareholders meeting;
  - (2) Information concerning the method of receiving the information about the issuer of Shareholders Community Issues or the method of accessing such information under the provision of Article 14.

**(Collection of Confirmation Letter, Etc.)**

**Article 10** In order to get a confirmation from an investor (excluding a Professional Investor (Professional Investors prescribed in Article 2, Paragraph 31 of the FIEA, excluding persons deemed to be an investor other than a Professional Investor 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))), who is going to participate in a Shareholders Community operated by an Operating Member for the first time, that the investor has understood risks in financial instruments transactions and the details of fees, etc. described in the documents set forth in Article 15, Paragraph 1 and will make a final decision to conduct Over-the-Counter Transactions in the Shareholders Community Issues on the investor's responsibility, the Operating Member must, in advance, prepare a document in the prescribed form containing the matters set forth in the respective Items of Article 15, Paragraph 1 and deliver this document to the investor, offer sufficient explanations about those matters, and collect a confirmation letter concerning Over-the-Counter Transactions in the Shareholders Community Issues from the investor.

**(Procedure for Withdrawal from Shareholders Community)**

**Article 11** Upon receipt of a notification of withdrawal from an investor participating in a Shareholders Community (hereinafter referred to as a "Participant") or due to any other reason defined in the operational guidelines (meaning the operational guidelines prescribed in Article 25, Paragraph 2; hereinafter the same applies in Article 15, Paragraph 1, Item 14), the Operating Member shall carry out the procedure for withdrawal of the Participant.

**CHAPTER IV ACQUISITION AND PROVISION OF INFORMATION ABOUT SHAREHOLDERS COMMUNITY ISSUES**

**(Provision of Information about Shareholders Community Issues)**

**Article 12**

1. Operating Members must publicly announce the information about respective Shareholders Community Issues set forth in the following Items:
  - (1) The issue name for the Shareholders Community Issue handled by the Operating Member;
  - (2) URL assigned to the web page on which the issuer of the Shareholders Community Issue posts the information about the issuer (or its main telephone number if the issuer does not operate its own website);
  - (3) Special benefits to shareholders of the issuer of the Shareholders Community Issue;
  - (4) Handling, etc. of Offerings, etc. for the Shareholders Community Issue, if applicable, and their subscription periods.
2. Operating Members must not provide the information about any Shareholders Community Issue other than the matters set forth in the respective Items of the preceding Paragraph to anyone other than Participants in the Shareholders Community for the Shareholders Community Issue; provided, however, that this shall not apply to cases of providing information to those who have applied for participation in the Shareholders Community under the provision of Article 9, Paragraph 3.

**(Acquisition of Information)**

**Article 13** Operating Members must acquire the information about issuers pursuant to the provisions of the following Items.

- (1) With regard to the information about issuers preparing securities registration statements under the provisions of Article 5 of the FIEA, annual securities reports prescribed in Article 24, Paragraph 1 thereof, semiannual securities reports prescribed in Article 24-5, Paragraph 1 thereof (or quarterly securities reports prescribed in Article 24-4-7, Paragraph 2 thereof, if they are submitted at the issuer's discretion), or ad hoc reports prescribed in Article 24-5, Paragraph 4 thereof (hereinafter collectively referred to as "Securities Registration Statements, etc."), Operating Members shall acquire the information set forth in Sub-item (a) or (b) below at the time prescribed in the applicable Sub-item:

- (a) Securities Registration Statements, etc.:

Without delay after the issuer has submitted Securities Registration Statements, etc. to the Prime Minister of Japan;

- (b) Information deemed necessary by the Operating Member, in addition to what is set forth in (a):

Without delay after the information comes into existence.

- (2) With regard to the information about issuers other than those referred to in the preceding Item, Operating Members must acquire the information set forth in Sub-items (a) to (h) at the time prescribed in the applicable Sub-items:

- (a) Financial statements based on the Companies Act:

Without delay after the approval of the annual shareholders meeting;

- (b) Information stated in accordance with the requirements for descriptions in financial statements that public companies are supposed to prepare under the Companies Act, if the issuer is a stock company not being a public company (meaning a public company prescribed in Article 2, Item 5 of the Companies Act; hereinafter the same applies in this Item):

At the time of acquisition of the information set forth in Sub-item (a);

- (c) Business reports based on the Companies Act:

Without delay after reporting to the annual shareholders meeting;

- (d) Information stated in accordance with the requirements for descriptions in business reports that public companies are supposed to prepare under the Companies Act, if the issuer is a stock company not being a public company:

At the time of acquisition of the information set forth in Sub-item (c);

- (e) Information stated in accordance with the requirements for descriptions of “Business-related Risks etc.” and “Outline of Company’s Share Administration Work” in the part entitled “Company Information” in an annual securities report prescribed in Form 3 under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.:

At the time of acquisition of the information set forth in Sub-item (c);

- (f) Information about a public offering or private placement stated in accordance with the requirements for descriptions in the part entitled “Securities Information” in a securities registration statement prescribed in Form 2 under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc., if the Operating Member handles the public offering or private placement:

Without delay after the solicitation requirements for the public offering or private placement are decided;

- (g) Information about a secondary distribution or private secondary distribution stated in accordance with the requirements for descriptions in the part entitled “Securities Information” in a securities registration statement prescribed in Form 2 under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc., if the Operating Member handles or initiates secondary distribution or private secondary distribution:

Before the start of such handling or the commencement of secondary distribution or private secondary distribution;

- (h) Other information deemed necessary by the Operating Member, in addition to what is

set forth in Sub-items (a) to (g):

Without delay after the information comes into existence.

**(Provision of Information about Shareholders Community Issues to Participants)**

**Article 14** If an Operating Member acquires any information set forth in any Item of the preceding Article, the Operating Member must provide such information to Participants or make such information available for inspection by Participants.

**CHAPTER V SOLICITATION FOR INVESTMENTS**

**(Explanations on Over-the-Counter Transactions to Participants and Delivery of Documents for Delivery Prior to Conclusion of a Contract)**

**Article 15**

1. Operating Members must describe at least the matters set forth in the following Items on documents for delivery prior to the conclusion of a contract, which are required to be delivered pursuant to the provision of Article 37-3, Paragraph 1 of the FIEA, deliver those documents to Participants (excluding Professional Investors (Professional Investors prescribed in Article 2, Paragraph 31 of the FIEA, excluding persons deemed to be a Participant 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))) conducting Over-the-Counter Transactions for Shareholders Community Issues pursuant to the provision of the same Article, and offer sufficient explanations about those matters:
  - (1) 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 Shareholders Community Issue;
  - (2) The fact that issuer's financial information was not audited by a certified public accountant or audit corporation, if this fact is applicable;
  - (3) The fact about the Shareholders Community Issue that there are no quotations or market prices which can be used as reference for trading and that its liquidity is extremely low;
  - (4) The possibility that the issuer may reject approval of the acquisition by a transfer intended by any subsequent Over-the-Counter Transaction if transfer restrictions are imposed on those issues;
  - (5) Risks that the value of the Shareholders Community Issue may be significantly impaired due to circumstances of the issuer of the Shareholders Community Issue or other related circumstances;
  - (6) Contact information for inquiries about the Shareholders Community Issue;
  - (7) The method of providing information under the preceding Article;
  - (8) Matters concerning shareholder administration by the Issuer;
  - (9) The principle that medium- or long-term holdings are strongly encouraged for the Shareholders Community Issue;
  - (10) The requirement that Over-the-Counter Transactions for the Shareholders Community Issue are allowed solely within the Shareholders Community;
  - (11) The requirement that Over-the-Counter Transactions for the Shareholders Community Issue must be conducted through the Operating Member;

- (12) The fact that the insider trading restrictions under the provisions of Articles 166, 167, and 167-2 of the FIEA do not apply to Over-the-Counter Transactions for the Shareholders Community Issue;
  - (13) The possibility that the Shareholders Community may be dissolved due to any reason attributable to the issuer or the Operating Member, which is likely to cause a significant decline of liquidity;
  - (14) The requirement that the Shareholders Community Issue must be handled in accordance with the operational guidelines established by the Operating Member, and the content of those guidelines;
  - (15) The method of reviewing explanatory documents stating the status of the Operating Member's business and assets, prepared pursuant to Article 46-4 of the FIEA, and a document stating the Operating Member's capital adequacy ratio, prepared pursuant to Article 46-6, Paragraph 3 of the FIEA;
  - (16) Risks in investing in the Shareholders Community Issue;
  - (17) Other matters deemed necessary by the Operating Member.
2. When an Operating Member solicits investments in a Shareholders Community Issue from Participants conducting Over-the-Counter Transactions for the relevant Shareholders Community Issue, the Operating Member must inform those Participants that they are entitled to ask for explanations on the details of the information provided pursuant to the preceding Article.

**(Prohibition of Solicitation for Investments from Persons Other than Shareholders Community Participants)**

**Article 16** An Operating Member must not solicit investments in the Shareholders Community Issue in any Shareholders Community from persons other than Participants in the same Shareholders Community.

## **CHAPTER VI OVER-THE-COUNTER TRANSACTIONS**

**(Scope of Over-the-Counter Transactions)**

**Article 17** Over-the-Counter Transactions for a Shareholders Community Issue must be conducted between Participants in the relevant Shareholders Community or between a Participant therein and the Operating Member thereof.

**(Ascertainment of Fraudulent Transactions)**

**Article 18** When conducting any Over-the-Counter Transaction for a Shareholders Community Issue, Operating Members must ascertain that the Over-the-Counter Transaction is not in violation of any provision of the FIEA, other relevant laws and regulations, and these Rules.

**(Proprietary Trading)**

**Article 19** When a Regular Member executes a sale or purchase of any Shareholders Community Issue for its own account, the Operating Member shall give due regard so as not to impair fair price formation and soundness of management.

**(Prohibition of Transactions for Joint Accounts)**

**Article 20** Regular Members must not conduct Over-the-Counter Transactions for Shareholders Community Issues for joint accounts shared with another Regular Member or a Participant.

**(Prohibition of Over-the-Counter Transactions Using Fraudulent Means)**

**Article 21** Regular Members must not conduct Over-the-Counter Transactions for Shareholders

Community Issues by any fraudulent means such as a fake sale and purchase, a sale and purchase involving a conspiracy, etc.

**(Prohibition of Excessive Trading)**

**Article 22** A Regular Member must not conduct Over-the-Counter Transactions for Shareholders Community Issues for its own account or for the account of any of its affiliates, etc. at a volume that is considered excessive in light of its financial capacity or trading situations of the Shareholders Community Issues.

**(Prohibition of Price Manipulation)**

**Article 23** Regular Members must not conduct purchasing transactions by sequentially raising quotations or trading prices, selling transactions by sequentially lowering quotations or trading prices, or other similar acts with the intention of misleading other persons, artificially creating brisk trading, unduly influencing market prices, forming a manipulative quotation not reflecting actual market conditions, or the like in connection with Shareholders Community Issues.

**(Prohibition of Acceptance of Market Orders, Margin Transactions, and Over-the-Counter Transactions for Unissued Over-the-Counter Securities)**

**Article 24**

1. Regular Members must not accept market orders for Shareholders Community Issues.
2. Regular Members must not conduct margin transactions (including a sale and purchase conducted by a Regular Member based on credit granting) for Shareholders Community Issues.
3. Regular Members must not conduct Over-the-Counter Transactions for Shareholders Community Issues not yet issued.

**CHAPTER VII DEVELOPMENT, ETC. OF BUSINESS ADMINISTRATION SYSTEMS**

**(Internal Rules and Operational Guidelines)**

**Article 25**

1. Operating Members must establish their internal rules prescribing the matters set forth in the following Items and develop systems to properly implement the matters prescribed in those internal rules:
  - (1) Matters concerning examinations carried out pursuant to the provisions of Article 5 or 8;
  - (2) Matters concerning the requirements and procedures for investors' participation in or withdrawal from a Shareholders Community;
  - (3) Matters concerning the requirements and procedures for dissolution of a Shareholders Community;
  - (4) Matters for ensuring compliance with the provisions of Article 12;
  - (5) Matters concerning acquisition of information about an issuer;
  - (6) Matters concerning provision of information to Participants under Article 14;
  - (7) Matters for responding to inquiries from investors other than Participants;
  - (8) Matters concerning delivery of Over-the-Counter Securities related to Over-the-Counter Transactions;
  - (9) Matters concerning ascertainment in connection with fraudulent transactions prescribed in Article 18;

- (10) Other matters deemed necessary by the Operating Member.
2. Operating Members must prepare operational guidelines based on the internal rules prescribed in the preceding Paragraph and submit those guidelines to the Association.
3. Operating Members must publicly announce their operational guidelines referred to in the preceding Paragraph.
4. If an Operating Member changes any content of the operational guidelines referred to in Paragraph 2, the Operating Members must implement the measures referred to in the preceding two Paragraphs for the changed content and the revised guidelines.

**(Notification and Designation as Operating Member)**

**Article 26**

1. A Regular Member intending to become an Operating Member must notify the Association at least 15 business days prior to the scheduled date for formation of a Shareholders Community.
2. When giving the notification under the preceding Paragraph, the Regular Member referred to therein must submit the following documents to the Association: an Application for Designation as Operating Member in the prescribed form, the operational guidelines prepared pursuant to the provision of Paragraph 2 of the preceding Article, an oath as an Operating Member in the prescribed form, and other documents deemed necessary by the Association.
3. If the Association determines that no deficiency has been found in the documents submitted pursuant to the provision of the preceding Paragraph, the Association shall designate the Regular Member having given the notification under Paragraph 1 as an Operating Member. However, the Association may refrain from such designation when it is necessary to do so due to the Regular Member's violation of any provision of laws and regulations or the Association's rules or for any other reason.
4. The Association will publicly announce the designation under the preceding Paragraph.

**(Revocation of Designation as Operating Member)**

**Article 27**

1. An Operating Member desiring revocation of designation as an Operating Member must notify the Association at least five business days prior to the desired date of revocation. In this case, the Operating Member must submit a Notification for Revocation of Designation as Operating Member in the prescribed form to the Association.
2. The Association may revoke the designation as Operating Member or suspend such designation for a specified period, without relying on a notification referred to in the preceding Paragraph, when the Association finds it necessary due to a violation by the Operating Member of laws and regulations or the Association's rules or for any other reason.
3. The Association shall revoke or suspend the designation as Operating Member on the date desired by the Operating Member in the case of receiving a notification referred to in Paragraph 1, or on the date deemed necessary by the Association in the case referred to in the preceding Paragraph.
4. The Association will publicly announce the revocation or suspension of designation referred to in the preceding Paragraph.
5. Even after the designation as Operating Member is revoked under the provision of Paragraph 3, the Operating Member must continuously fulfill its obligations and responsibilities attributable to the period for which the designation of the Operating Member was effective.

**(Dissolution of Shareholders Community Due to Revocation of Designation as Operating Member)**

Article 28 If the Association revokes the designation as Operating Member pursuant to the provisions of the preceding Article, the Operating Member must immediately dissolve all the Shareholders Communities operated by it.

## **CHAPTER VIII MISCELLANEOUS PROVISIONS**

### **(Reporting to the Association)**

#### **Article 29**

1. Operating Members must report the status of Over-the-Counter Transactions for Shareholders Community Issues handled by their own and their Handling, etc. of Offerings for these issues to the Association every Monday (or on Monday of the week immediately following the week in which the expiration date of the period for any Handling, etc. of Offerings falls, with regard to the status of Handling, etc. of Offerings) (or on the immediately following business day, if Monday is a nonbusiness day) pursuant to the provisions separately specified by the Association.
2. The Association will publicly announce the contents reported pursuant to the preceding Paragraph.

### **(Inquiries, Etc. by the Association)**

#### **Article 30**

1. When the Association finds it necessary, the Association may make inquiries to, hold hearings from, or demand submission of materials by Operating Members in connection with the content of their operational guidelines or the status of Shareholders Community Issues or their business operations.
2. Operating Members must respond to inquiries, hearings, or a demand for submission of materials prescribed in the preceding Paragraph.

### **(Delivery, etc. Using Electromagnetic Methods)**

#### **Article 31**

1. In substitution for the delivery of a document prescribed in Article 10, pursuant to the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Method (hereinafter referred to as the “Electric Document Delivery Rules”),” Operating Members 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 Operating Members shall be regarded as having delivered the document.
2. In substitution for the collection of a confirmation letter concerning Over-the-Counter Transactions in the Shareholders Community Issues prescribed in Article 10, pursuant to the “Electric Document Delivery Rules,” Operating Members may use methods employing electronic information processing systems or other information technologies to collect the matters to be stated in the confirmation letter. In such cases, the Operating Members 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, 2017.

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