

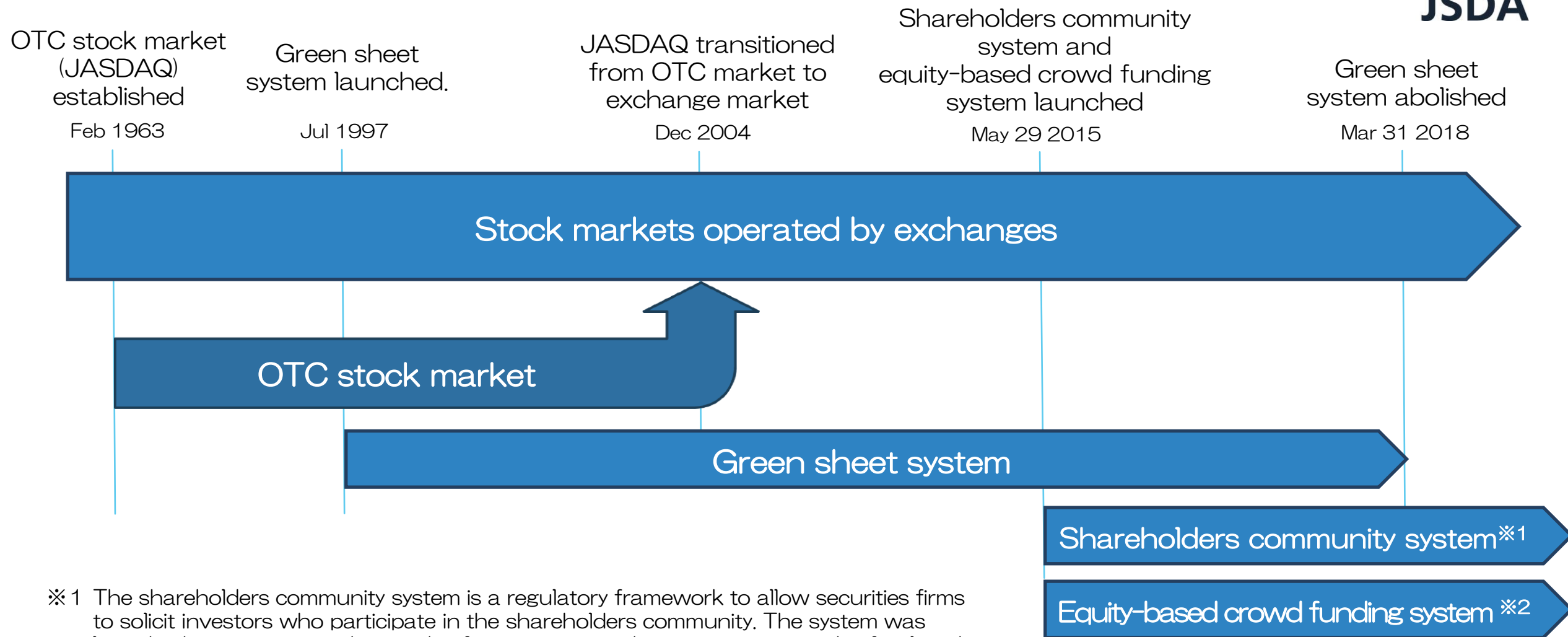


New Framework for Unlisted Stock Trading within Shareholders Community

June 14 2015

Japan Securities Dealers Association

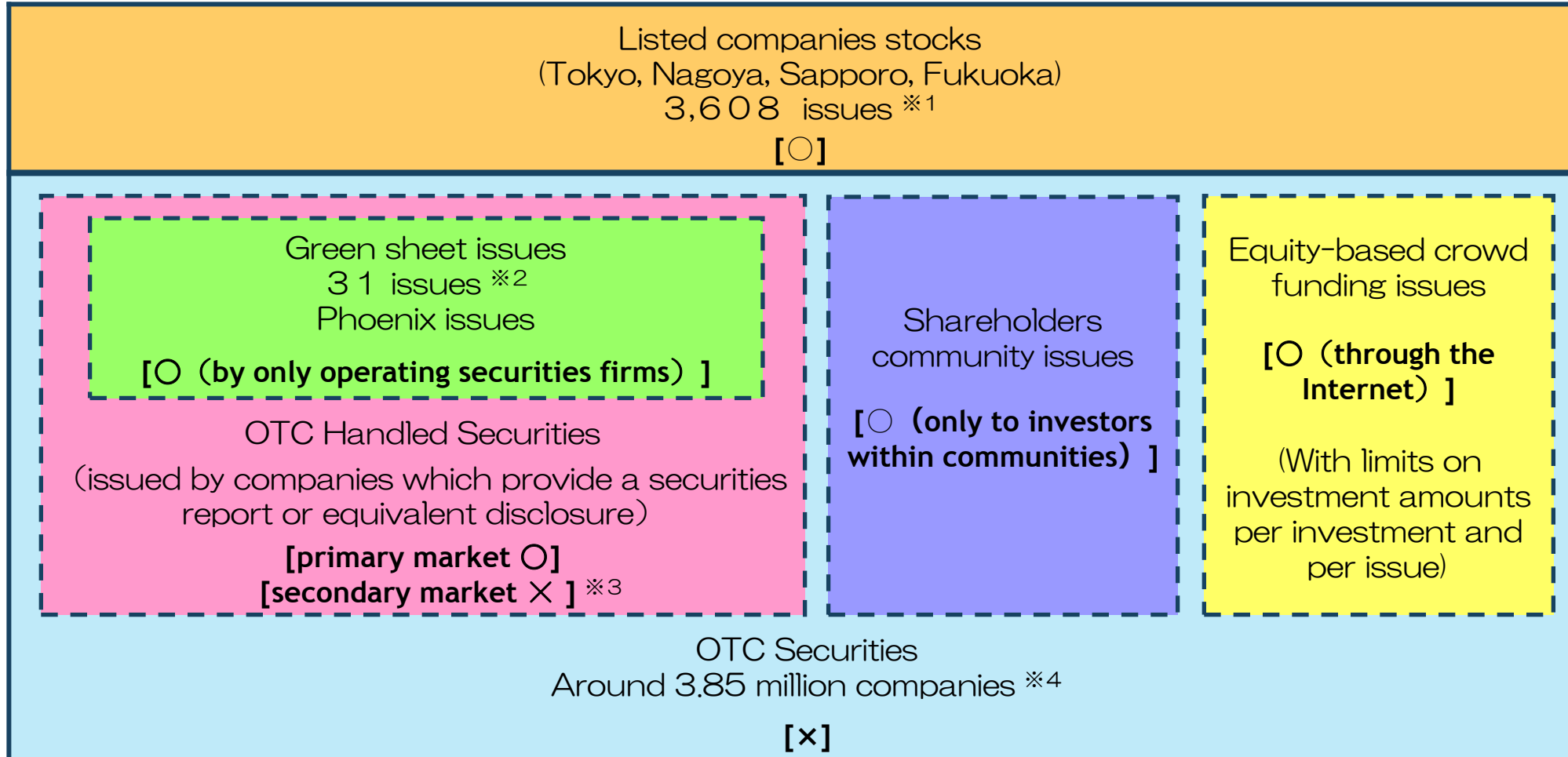
Major Changes in Stock Market Structure



※1 The shareholders community system is a regulatory framework to allow securities firms to solicit investors who participate in the shareholders community. The system was launched in response to the needs of transaction and converting into cash of unlisted companies stocks including regional companies.

※2 The equity-based crowd funding system is a framework that links new/growing companies with investors through the Internet, and facilitates their financing by enabling them to collect small equity investments from a wide range of investors.

Classification of Stocks



(Allowed to solicit sales = O, Not allowed to solicit sales = X)

※1 As of May 17 2015

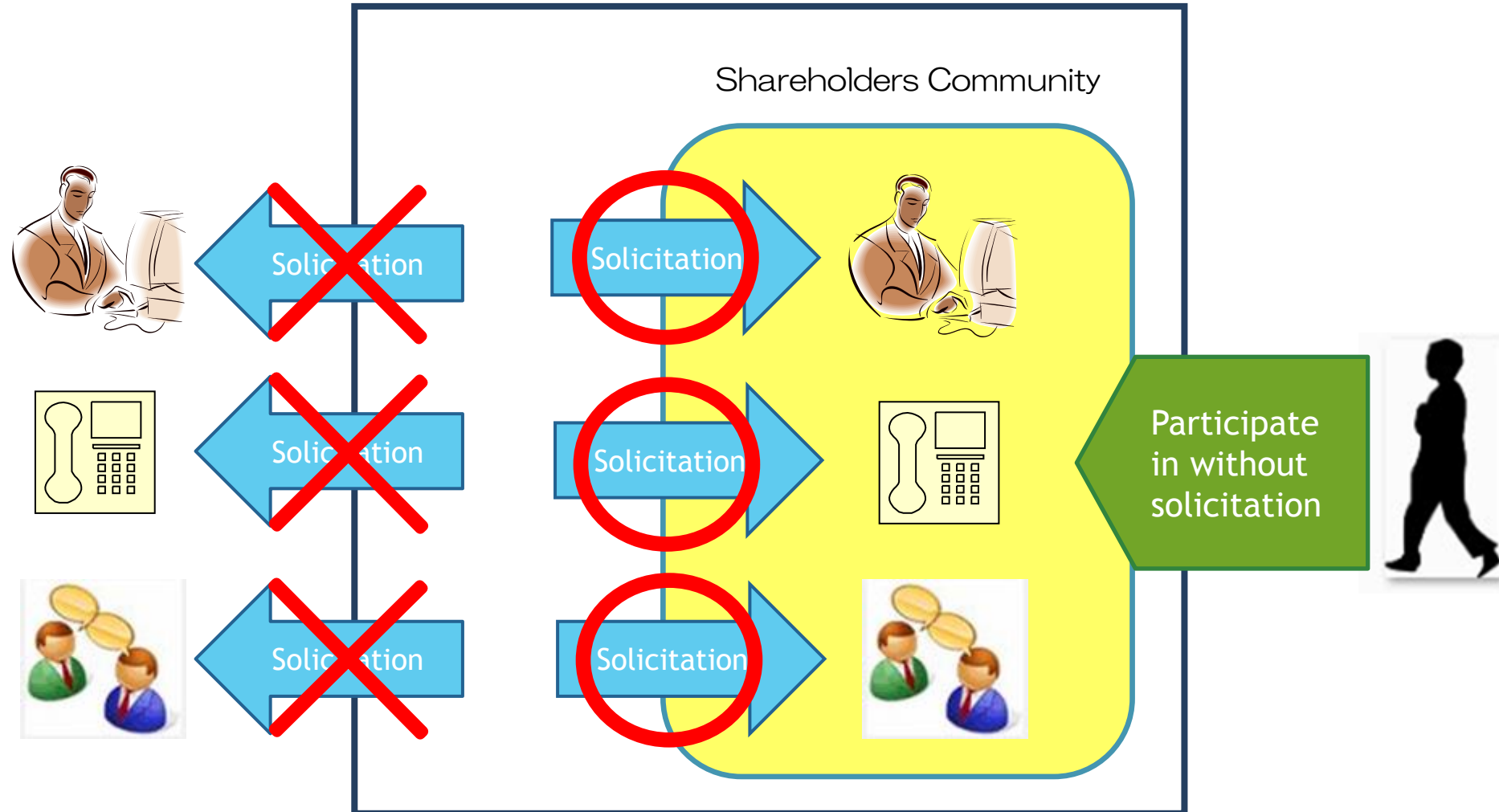
※2 As of March 24 2015

※3 When an issuer is unlisted

※4 Small and medium-sized companies as of February 2012 (Source: Small and Medium Enterprise Agency)

Basic structure of the Shareholders community

Operating Securities Firms



Operating securities firms can solicit only investors within the community.

Operating securities firms can not induce people who are outside of the community neither to buy the stock nor to participate in the community.

Outline of the JSDA's rules for securities firms regarding the Shareholders Community System



Securities firms have to:

1. Get designation by JSDA as an operating securities firm
2. Examine issuers and take measures for avoidance of antisocial forces
3. Provide basic information to investors outside the community
4. Solicit with providing detailed information to investors within the community
5. Obtain confirmation document from investors
6. Establish internal control systems, and
7. Report and publish trading records weekly

Comparison of Market Systems



| | | Markets operated by exchanges | OTC stock market (~2004.12) | Green sheet system (~2018.3.31) | Shareholders community system (2015.5.29~) | Equity-based crowd funding system (2015.5.29~) |
|-----------------------------------|------------------|---|---|--|---|---|
| Who examines issuers ? | | Stock exchanges Underwriting securities firms | JSDA Underwriting securities firms | Operating securities firms | Operating securities firms | Operating securities firms/ Crowd funding operators |
| Sales material | Primary | Prospectus | Prospectus | Explanatory note on business conditions etc. | Financial statements, business report, purpose of financing etc. | Business Plan, purpose of financing etc. |
| | Secondary | Analyst report etc. | Analyst report etc. | | | |
| Key solicitation rules | | <ul style="list-style-type: none"> ✓ Principle of suitability ✓ Pre-contract document | <ul style="list-style-type: none"> ✓ Principle of suitability ✓ Pre-contract document | <ul style="list-style-type: none"> ✓ Principle of suitability ✓ Pre-contract document ✓ Transaction commencement standards ✓ Confirmation document | <ul style="list-style-type: none"> ✓ Principle of suitability ✓ Pre-contract document ✓ Transaction commencement standards ✓ Confirmation document ✓ Solicitation within the community | <ul style="list-style-type: none"> ✓ Principle of suitability ✓ Pre-contract document ✓ Transaction commencement standards ✓ Confirmation document ✓ Solicitation through the Internet |
| Timely disclosure | | Required | Required | Required | – | – |
| Insider trading regulation | | Applied | Applied | Applied | – | – |
| Market making | | – | Required | – (mandatory offering of bid and asked price) | – | – |
| Use of CSD | | Available | Available | – | – | – |