

RULES CONCERNING PHOENIX ISSUES

(January 17, 2001)

Chapter 1. General Provisions

(Purpose)

Article 1 The purpose of the Rules Concerning 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 “Phoenix Issues,” as well as ensuring fair and smooth Over-the-Counter transactions in Phoenix Issues, 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 used by a handling member or an associate handling member (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 in Phoenix Issues.
- (5) 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.
- (6) Handling Member(s):
A Regular Member designated by the Association, after such Regular Member notifies the Association that Over-the-Counter Handled Securities shall be Phoenix Issues, and the Association designates the said Over-the-Counter Handled Securities as Phoenix Issues, as a

member that is allowed to conduct solicitation for investment in the said Phoenix Issues 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.

(7) Associate Handling Member(s):

A Regular Member designated by the Association as a member that is allowed to conduct investment solicitation for Phoenix Issues 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.

(8) 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.

(9) Antisocial Force(s)

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

Article 3 (DELETED)

Chapter 2 Designation

Article 4 (DELETED)

(Representative Handling Member)

Article 5 Handling Members of a single Phoenix Issue (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 Phoenix Issue)

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 and the issuing company 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;
 - (3) The issuing company is not an Antisocial Force and the said issuing company does not have a relationship with Antisocial Forces and has a system in place that eliminates Antisocial Forces;
 - (4) 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;
 - (5) 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, rehabilitation, or reorganization procedures, such procedures have already been completed; and
 - (6) In addition to the agreement set forth in Article 13, Paragraph 1 of the Act on Book-Entry Transfer, consent should be obtained for the matters set forth by the said Designated Book-Entry Organization for the issue or the said consent can be expected before the Association designates the said issues as Phoenix Issues.
2. 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 an Antisocial Force and has no relationship with Antisocial Forces 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 Phoenix Issues), such Regular Member shall notify the Association using the prescribed form no later than five (5) 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 five (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. If the Association deems that the notification prescribed in the preceding Paragraph 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 five (5) business days before the date when a quotation begins to be offered.

2. If the Association deems that the notification prescribed in the preceding Paragraph 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.

Article 12 (DELETED)

Article 13 (DELETED)

Chapter 3 Disclosure of Company Information

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

Article 14 A Handling Member of Phoenix Issues 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 Phoenix Issues (or a Representative Handling Member, in the case where Handling Members appoint the Representative Handling Member; the same shall apply in the following Paragraph to Paragraph 7 hereof) must submit to the Association an Explanatory Note on Business Conditions or a Securities Report prepared by issuing companies of Phoenix Issues 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; 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 (3) 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 Phoenix Issues prepares a semiannual report prescribed in Articles 24-5, Paragraph 1 of FIEA, the Handling Member of such Phoenix Issues must submit a copy of the semiannual report to the Association within the period prescribed in the same Paragraph.
 7. If a company issuing Phoenix Issues prepares a current report prescribed in Articles 24-5, Paragraph 4 of the FIEA, the Handling Member of such Phoenix Issues 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 Phoenix Issues (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 Phoenix Issues falls under the events prescribed in the “Detailed Rules Concerning Report to the Association on Company Information by Companies Issuing Phoenix Issues” (hereinafter referred to as “Detailed Rules Concerning Report on Company Information”), a Handling

Member of the Phoenix Issues (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 Phoenix Issues 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 Phoenix Issues 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.
5. A Handling Member or an issuing company of Phoenix Issues may fax the Disclosure Notification Letter in substitution for submission of Disclosure Notification Letter prescribed in 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 Phoenix Issues 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 Phoenix Issues, 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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues (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 Phoenix Issues, or the Association Members) is not an Antisocial Force 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 Phoenix Issues (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 Phoenix Issues, the transaction mechanism, the transaction methods of Phoenix Issues, by the Association Member, how to disseminate the information on Phoenix Issues, and risks associated with the investment in Phoenix Issues (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 Phoenix Issues using the prescribed form from customers who conduct a transaction (excluding sale) of Phoenix Issues for the first time, in order to confirm that the transaction of Phoenix Issues, 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 Phoenix Issues except for sale of Phoenix Issues on the customer's account.

2. An Association Member soliciting investment in Phoenix Issues (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 Phoenix Issues is asked by customers to explain the calculation method of transaction price, etc., it must explain it using the quotation price or trading price of Phoenix Issues 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 Phoenix Issues, 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) (hereinafter referred to as "Offering, etc."), or engages in secondary offering or private secondary offering (hereinafter referred to as "Handling, etc. of Offering, etc.") of Phoenix Issues 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 Phoenix Issues for which the Offering, etc. 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. (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 5 of the OTC Securities Rules; provided, however, that this shall not apply to cases of investment solicitation to qualified institutional investors.

(Clear Indication of Phoenix Issues)

Article 22 Each time an Association Member accepts an order from its customer for transactions of Phoenix Issues, it must clearly specify that such securities are Phoenix Issues.

Chapter 5 Sale and Purchase

(Matters to Be Confirmed with Customers)

Article 23 When a Regular Member accepts an order from its customer for Phoenix Issues, 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 Phoenix Issues, 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 Phoenix Issues 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 Phoenix Issues (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. Transfers stipulated in the preceding Paragraph must be carried out via book-entry transfer among participants' accounts opened in a designated book-entry transfer organization for share certificates 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; the same shall

apply hereinafter) (in the following Paragraph this shall be referred to as “Convertible-type Bonds with Share Option Handled by Designated Book-Entry Transfer Organization”) that are handled by a designated book-entry transfer organization after obtaining consent of the issuer of share certificates or bonds with share options as prescribed in Article 13-1 of the Book-Entry Transfer Act.

4. 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.
5. 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.
6. 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.
7. 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 Phoenix Issues on its own account, 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 Phoenix Issues 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 Phoenix Issues.

(Kiting or Selling Off)

Article 29 A Regular Member must not engage in such acts as purchase of Phoenix Issues 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 and Margin Transactions)

Article 30 An Association Member must not accept any orders without limit price for Phoenix Issues.

2. No Association Member must conduct margin transactions (including transactions by an Association Member receiving credit) for Phoenix Issues.

Chapter 6 Trade Compliance Screening

(Trading Hours)

Article 31 The period during which a Regular Member may conduct Over-the-Counter Transactions in Phoenix Issues 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 Phoenix Issues, 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 Phoenix Issues 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 Phoenix Issues for which material facts associated with the businesses, etc. prescribed in Article 166, Paragraph 1 of the FIEA regarding issuing company of Phoenix Issues, and facts of tender offer, etc., prescribed in Article 167, Paragraph 3 of the FIEA regarding Phoenix Issues (hereinafter referred to as “Material Facts, etc.”) are publicly announced; and
 - (3) Sale and purchase of Phoenix Issues for which the Association determines that examination is required.
2. Examination of sale and purchase of Phoenix Issues 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 Phoenix Issues, when it deems necessary.
 4. When an Association Member receives an inquiry, etc., from the Association on Over-the-Counter Transactions of Phoenix Issues 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 Phoenix Issues set forth in the preceding Paragraph, and the responsible staff who is in charge of the inquires on Phoenix Issues 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 Phoenix Issues as prescribed in each Item below in the cases set forth in each Item below:

- (1) 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.

- (2) In the event of dissemination of information concerning Phoenix Issues, 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 Phoenix Issues, 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 Phoenix Issues, 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 Phoenix Issues, or otherwise deems it appropriate to extend the suspension.

- (3) 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 Phoenix Issues, while the Association suspends Over-the-Counter Transactions in Phoenix Issues 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 Phoenix Issues 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; 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 Phoenix Issues 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.
4. When a Regular Member (excluding a Handling Member, etc., the same shall apply in Paragraph 6) applies for the sale or purchase of Phoenix Issues to, and accept orders for sale or purchase of Phoenix Issues, 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 Phoenix Issues 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.
6. When a Regular Member conducts Over-the-Counter Transactions in Phoenix Issues, 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 Phoenix Issues 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, etc. of Phoenix Issues 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 , etc.; 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 Phoenix Issues 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 Phoenix Issues are listed on a financial instruments exchange.
 - (2) Bankruptcy proceedings, reconstruction proceedings, or revitalization proceedings:
In the case where a company issuing Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues, 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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues decides to cease or will surely cease entrustment of share administration work to an administrator of shareholder registry.
- (9) Transfer restrictions:
In the case where a company issuing Phoenix Issues decides to restrict transfers of such issues.
- (10) Acquisition of all shares:
In the case where a company issuing Phoenix Issues 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 Phoenix Issues.
- (11) Becoming a wholly-owned subsidiary:
In the case where a company issuing Phoenix Issues 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 Phoenix Issues 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 associated company as prescribed in Article 8, Paragraph 17, Item 4 of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.; the same shall apply hereinafter in this Item) of the issuing company of Phoenix Issues;

(ii) Subsidiary of the issuing company of Phoenix Issues; or

(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 Phoenix Issues.

(b) The relationship in which the Antisocial Forces are involved in the management of the issuing company of Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues)

Article 37 The Association shall revoke the designation of Phoenix Issues 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 Phoenix Issues pursuant to the preceding Paragraph, the Association shall revoke designations of all Associate Handling Members at the time when it revokes the designations of Phoenix Issues.

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, etc. of Phoenix Issues, 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, etc., and solicits only qualified institutional investors to invest on the condition that transfer restrictions are imposed on the Phoenix Issues acquired through such Offering, etc., 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 “Phoenix Issues.”
 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 five (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 Phoenix Issues 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 Phoenix Issues 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 Phoenix Issues)

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

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 Phoenix Issues to pay the contributions to the system of Phoenix Issues.

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

Article 43 A Handling Member of Phoenix Issues (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 Phoenix Issues.

SUPPLEMENTARY PROVISIONS [Partial]

1. These Rules as revised shall come into effect as of April 1, 2018.
2. Notwithstanding the amendments, the provision of Article 36, Paragraph 8 shall remain in effect for Association Members designated as Handling Members or Associate Handling Members of Green Sheet Issues prior to the date above.

(Note) These Rules are based on the version in effect as of January 1, 2019.

<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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