

DETAILED RULES RELATING TO THE RULES CONCERNING UNDERWRITING, ETC. OF SECURITIES

(April 24, 1996)

(Purpose)

Article 1 These Detailed Rules shall prescribe the matters deemed necessary with respect to the enforcement of the Rules Concerning Underwriting, Etc. of Securities (hereinafter referred to as the “Rules”).

(Conclusion of Contract)

Article 2 The contract prescribed in Article 9, Paragraph 2, Item 1 of the Rules (including cases where this shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules) must set forth the following matters:

- (1) A Lead Managing Regular Member Underwriter and an Independent Managing Regular Member Underwriter shall cooperate with each other for fair and sufficient Underwriting Examination concerning the public offering of Share Certificates, Real Estate Investment Trust Certificates (limited to the investment securities set forth in Article 2, Paragraph 1, Item 11 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”; the same shall apply hereinafter from this Article to Article 5), Infrastructure Funds (limited to the investment securities set forth in the same Item of the FIEA; the same shall apply hereinafter from this Article to Article 5), Venture Funds, Share Option Certificates, Investment Equity Subscription Right Certificates, Bonds with Share Options, or Corporate Bond Certificates, etc. by the issuer;
- (2) An Independent Managing Regular Member Underwriter shall have the authorization equivalent to those held by a Lead Managing Regular Member Underwriter in terms of the conduct of administrative procedures and express its opinion on the adequacy of Underwriting Examination to the issuer or externally;
- (3) An Issuer shall give the same information as that given to a Lead Managing Regular Member Underwriter to an Independent Managing Regular Member Underwriter, and respond to the hearing requested by the Independent Managing Regular Member Underwriter;
- (4) A Lead Managing Regular Member Underwriter shall provide an Independent Managing Regular Member Underwriter with the details of the Underwriting Examination as necessary;
- (5) A Lead Managing Regular Member Underwriter shall consult with an Independent Managing Regular Member Underwriter to determine fair and proper issue price, etc. of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, Share Option Certificates, Investment Equity Subscription Right Certificates, Bonds with Share Options, and Corporate Bond Certificates, etc., and provide the Independent Managing Regular Member Underwriter with the state of investors’ demand;
- (6) A Lead Managing Regular Member Underwriter shall consult with an Independent Managing Regular Member Underwriter to have a fair and proper issue price, etc. of Share Option Certificates, Investment Equity Subscription Right Certificates, Bonds with Share Options, or Corporate Bond Certificates, etc. (hereinafter referred to as the “Bonds with Share Options, etc.”) prescribed in Article 2, Item 11 of the Rules, and provide the Independent Managing Regular Member Underwriter with the necessary information;

- (7) If an Independent Managing Regular Member Underwriter judges, in the course of Underwriting Examination for public offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, or Bonds with Share Options, etc., that the details of the Underwriting Examination conducted by a Lead Managing Regular Member Underwriter and/or the issue price, etc. of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, or Venture Funds, or the issue price, etc. of Bonds with Share Options, etc. determined by a Lead Managing Regular Member Underwriter are inappropriate, and as a result, decides not to underwrite, the Underwriting of public offering of such Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, or Bonds with Share Options, etc. shall be cancelled;
- (8) Matters prescribed in each Item of Article 11 of the Rules;
- (9) A Lead Managing Regular Member Underwriter and an Independent Managing Regular Member Underwriter shall prepare a document to prove that the contract provisions from Items 1 through 8 are surely and sufficiently performed by the day immediately following the payment day of public offering of Share Certificates, Bonds with Share Options, etc., Real Estate Investment Trust Certificates, Infrastructure Funds, or Venture Funds, or immediately if the public offering is cancelled, and retain it in five years at each side.

(Timing of Contract Conclusion)

- Article 3** The contract on the Underwriting Examination procedures prescribed in Article 9, Paragraph 2, Item 1 of the Rules (including cases where this shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules) shall be concluded at least one month before the date of application for listing on a Financial Instruments Exchange by the issuer in the case of Initial Public Offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, or Venture Funds, or 17 business days before the issuance resolution date in the case of public offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, Share Option Certificates, Investment Equity Subscription Right Certificates, or Bonds with Share Options issued by a listed issuer.
2. The contract on the Underwriting Examination procedures prescribed in Article 9, Paragraph 2, Item 1 of the Rules shall be concluded at least 17 business days before the issuance resolution date in the case of public offering of Corporate Bond Certificates, etc. (or at least 14 business days before the expected effective date of issuance registration in the case of issuance registration of Corporate Bond Certificates, etc. (or 14 business days before the expected conditions determination date if there is an unavoidable reason)).

(Commencement of Underwriting Examination by Independent Managing Regular Member Underwriter)

- Article 4** An Independent Managing Regular Member Underwriter (excluding an additional Independent Managing Regular Member Underwriter prescribed in Article 11 of the Rules (including cases where this shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules); the same shall apply hereinafter in this Article) shall commence the Underwriting Examination after the date agreed with the Lead Managing Regular Member Underwriter and at least one month before the date of listing application to a Financial Instruments Exchange by the issuer in the case of Initial Public Offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, or Venture Funds, or 17 business days before the issuance resolution date in the case of public offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, or Bonds with Share Options, etc. issued by a listed issuer (or at least 14 business days before the expected effective date of issuance registration in the case of issuance registration of Corporate Bond Certificates, etc. (or 14 business days before the expected conditions determination date if there is an unavoidable

circumstance)).

2. An Independent Managing Regular Member Underwriter shall commence the Underwriting Examination after the date agreed with the Lead Managing Regular Member Underwriter and at least 17 business days before the issuance resolution date in the case of public offering of Corporate Bond Certificates, etc. issued by the issuer other than listed issuer (or at least 14 business days before the expected effective date of issuance registration in the case of issuance registration of Corporate Bond Certificates, etc. (or 14 business days before the conditions determination date if there is an unavoidable circumstance)).

(Materials for Announcement, Etc.)

Article 5 Matters prescribed in the Detailed Rules that are set forth in Article 9, Paragraph 1, Item 3 of the Rules shall be as follows:

- (1) When the issuer is the Parent Corporation, etc. or Subsidiary Corporation, etc. of a Regular Member Underwriter, the fact that the Regular Member Underwriter became the Lead Managing Regular Member Underwriter;
 - (2) Concrete explanation about the relationship between the issuer and the Lead Managing Regular Member Underwriter;
 - (3) Details of measures to be taken for the purpose of not being influenced by the issuer when the Lead Managing Regular Member Underwriter determines the Issue Price, etc.
2. Matters prescribed in the Detailed Rules that are set forth in Article 9, Paragraph 2, Item 5 of the Rules (including cases where this shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules) shall be as follows:
- (1) When the issuer is the Parent Corporation, etc. or Subsidiary Corporation, etc. of a Regular Member Underwriter, the fact that the Regular Member Underwriter (or, in cases where Article 9, Paragraph 2, Item 5 of the Rules shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules, the Regular Member Underwriter when the Regular Member Underwriter, as well as its Parent Corporation, etc. or Subsidiary Corporation, etc., hold 15 percent of the voting rights of all shareholders of the issuer) became the Lead Managing Regular Member Underwriter;
 - (2) Concrete explanation about the relationship between the issuer and the Lead Managing Regular Member Underwriter (or, in cases where Article 9, Paragraph 2, Item 5 of the Rules shall apply *mutatis mutandis* to Article 11-2, Paragraph 1 of the Rules, the Lead Managing Regular Member Underwriter, as well as its Parent Corporation, etc. or Subsidiary Corporation, etc., when the Lead Managing Regular Member Underwriter, as well as the Parent Corporation, etc. or Subsidiary Corporation, etc., hold 15 percent of the voting rights of all shareholders of the issuer);
 - (3) Name of the Independent Managing Regular Member Underwriter who was properly engaged in the determination of prices, etc. in the underwriting of public offering of Share Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, or Bonds with Share Options, etc.;
 - (4) Details of measures to be taken for the purpose of not being influenced by the issuer when the Independent Managing Regular Member Underwriter determines the Issue Price, etc.;
 - (5) Concrete method of determining the prices, etc.

(Individual Materials for Underwriting Examination)

Article 6 Materials prescribed in the Detailed Rules that are set forth in Article 12, Paragraph 2 of the Rules shall be as follows:

- (1) Purpose of use of the collected funds;
- (2) Expected balance sheet and expected cash flow table;
- (3) Company profile (position and share in the industry, industry trend, business summary, change of business, etc.);
- (4) Business condition and profit plan;
- (5) Accounting status (list of customers, list of suppliers, monthly orders received and sales, and list of affiliated companies, etc.)
- (6) Current financial condition and business performance (latest financial condition, list of contingent liabilities, current business performance, important subsequent event, current orders, and backlog of orders and sales, etc.)
- (7) Consideration about risk of business, etc.;
- (8) Other materials the Regular Member Underwriter deems necessary.

(Receipt of Underwriting Examination Materials)

Article 7 A Lead Managing Regular Member Underwriter shall receive the Underwriting Examination materials prescribed in Article 12, Paragraph 2 of the Rules according to the following procedures:

- (1) When underwriting the public offering or secondary distribution for initial public offering, the Underwriting Examination materials shall be received sufficiently in advance in order to conduct the Underwriting Examination;
- (2) When underwriting the public offering or secondary distribution of securities issued by a listed issuer, or Corporate Bond Certificates issued by a non-listed issuer, the Underwriting Examination materials shall be, in principle, received 17 business days before the date of resolution of issuance (or 14 business days before the effective date of issuance registration in case the issuance registration of Corporate Bond Certificates is made).

(Support from the Lead Managing Regular Member Underwriter to the Regular Member Underwriters)

Article 8 Support from the Lead Managing Regular Member Underwriter to the other Regular Member Underwriters (excluding the Independent Managing Regular Member Underwriter; the same shall apply hereinafter in this Article) prescribed in Article 13, Paragraph 1 of the Rules shall be provided as follows in principle:

- (1) If a Lead Managing Regular Member Underwriter underwrites the public offering or secondary distribution for the initial public offering, it shall provide the materials set forth in each Item of Article 6 to other Regular Member Underwriters 15 business days before the date of resolution of the issuance (in the case of submitting a securities registration statement before the approval for listing on the Financial Instruments Exchange, 15 business days before the planned date of the approval for listing).

- (2) If a Lead Managing Regular Member Underwriter underwrites the public offering or secondary distribution of securities issued by a listed issuer, or public offering or secondary distribution of Corporate Bond Certificates, etc. issued by a non-listed issuer, it shall provide the materials set forth in each Item of Article 6 to other Regular Member Underwriters by the date of resolution of the issuance.
- (3) In the case of each Item above, if there is information that is deemed indispensable for other Regular Member Underwriters to conduct the Underwriting Examination regarding the materials disclosed by the issuer prescribed in Article 12, Paragraph 2 of the Rules, the Lead Managing Regular Member Underwriter shall provide such information to other Regular Member Underwriters in a timely manner.

(Details of Underwriting Examination Items for Initial Public Offering)

Article 9 In the case of the underwriting of a public offering or secondary distribution of Share Certificates, Preferred Equity Investment Certificates, and Beneficiary Certificates of Foreign Share Trust for an Initial Public Offering, the details of the Underwriting Examination Items prescribed in Article 16, Paragraph 2 of the Rules shall be set forth in each Item below:

- (1) Eligibility for going public
 - (a) Legitimacy and sociality of the business;
 - (b) Management philosophy of the company, awareness regarding compliance and risk management by the officers;
 - (c) Whether it falls under anti-social forces, whether there is a relationship with anti-social forces, and measures to eliminate them and their operating status;
 - (d) Soundness of purpose of using the market at the listing.
- (2) Soundness and independence of corporate management
 - (a) Necessity of transactions with affiliated parties (including human-affiliated companies prescribed in Article 1, Item 31(c) of the Cabinet Office Ordinance on the Disclosure of Corporate Information, etc.), suitability of terms and conditions of the transaction with them;
 - (b) Independence from a parent company, etc. (a parent company of the corporation, or the other corporation of whom the corporation is an affiliated company; the same shall apply hereinafter);
 - (c) Structure of capital participation to affiliated companies and the control of such invested companies.
- (3) Business continuity management
 - (a) Compliance with laws and regulations in its corporate activities and the development status of the compliance system;
 - (b) Protection of intellectual property that is necessary to promote the business, and infringement of the intellectual property of third parties;
 - (c) Conclusion of important contracts/agreements for business continuity, and reservation of rights.

- (4) Corporate governance and internal administration system
 - (a) Validity of the corporate structure design (validity of the corporate structure design in the light of the size of the company and its business risks);
 - (b) Fulfillment of responsibilities by the representative directors, directors, and the board of directors (or fulfillment of responsibilities by the representative executive officers and executive officers in the case of a Company with Nominating Committee, etc.);
 - (c) Fulfillment of responsibilities by the auditors and the board of company auditors and the internal audit function (or fulfillment of responsibilities by the board of directors, the nominating committee, the compensation committee, and the audit committee, and the internal audit function, in the case of a Company with Nominating Committee, etc., or fulfillment of responsibilities by the audit and supervisory committee and the internal audit function, in the case of a Company with Audit and Supervisory Committee);
 - (d) Operation and checking function of internal administration system (development of organization and internal rules for management of receivables, budget management, labor management, and system management, etc.).
 - (5) Financial condition and management performance
 - (a) Soundness of the financial conditions and cash flow management;
 - (b) Analysis of any change in the financial conditions and the business performance;
 - (6) Forecast of business performance
 - (a) Validity of the basis for preparing a profit plan;
 - (b) Progress of the profit plan;
 - (c) Growth potential and stability of the company;
 - (d) Surplus distribution policy.
 - (7) Purpose of the use of the funds to be raised (or the purpose of the secondary distribution in the case of a secondary distribution; the same shall apply hereinafter)
 - (a) Appropriateness of purpose of use of the funds to be raised (appropriateness based on consistency with the business plan);
 - (b) Proper disclosure of purpose of use of the funds to be raised.
 - (8) Proper disclosure of the company's business, etc.
 - (a) Adaptability to the statutory disclosure system and timely disclosure system
 - (b) Appropriateness of the information disclosed, completeness of the scope of disclosure, and adequacy of the representation of the disclosed information regarding company information, etc. such as business risks, etc..
2. In the case of underwriting the Real Estate Investment Trust Certificates (limited to the investment securities set forth in Article 2, Paragraph 1, Item 11 of the FIEA; the same shall apply in this Article

and the following Article) for an Initial Public Offering, the details of the Underwriting Examination Items prescribed in Article 16, Paragraph 2 of the Rules shall be set forth in each Item below:

- (1) Eligibility for going public
 - (a) Legitimacy and sociality of the business of the investment corporation, asset management company, and its parent company, etc.;
 - (b) Awareness regarding compliance and risk management, etc. by the executive officers of the investment corporation, management of the asset management company, and management of its parent company, etc.
 - (c) Whether it falls under anti-social forces, whether there is a relationship with anti-social forces, and measures to eliminate them and their operating status;
 - (d) Soundness of purpose of use of the market at the listing.
- (2) Soundness of asset management
 - (a) Relationship with any asset management company and its parent company, etc.;
 - (b) System to restrict transactions involving a conflict of interest with an asset management company, its parent company, etc. and other stakeholders;
 - (c) Procedures for the sale and purchase, etc. of specified asset prescribed in the of Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations;
 - (d) The necessity of transactions with stakeholders and the appropriateness of terms and conditions of the transactions.
- (3) Corporate governance and internal administration system
 - (a) Fulfillment of responsibilities by the executive officers of the investment corporation, representative directors, directors, and the board of directors of the asset management company (or fulfillment of responsibilities by the representative executive officers and executive officers in the case of a Company with Nominating Committee, etc.);
 - (b) Fulfillment of responsibilities by the audit officers of the investment corporation and the auditor and board of company auditors of the asset management company and internal audit functions (or fulfillment of responsibilities by the board of directors, the nominating committee, the compensation committee and the audit committee, and internal audit functions, in the case of a Company with Nominating Committee, etc., or fulfillment of responsibilities by the audit and supervisory committee and the internal audit function, in the case of a Company with Audit and Supervisory Committee);
 - (c) Operation of internal administration systems of the asset management company (development of organization and internal rules for investment management policies, investment management systems, and measures to avoid conflicts of interest).
- (4) Conformity between the property to be incorporated into the portfolio and the investment policy;
 - (a) Investment policy;
 - (b) Details on properties to be incorporated into a portfolio (compliance with the related laws and

regulations, contracts for properties, and engineering reports (investigation reports on the condition of buildings and the risks, etc. ; the same shall apply hereinafter));

(c) Acquisition price and the background to the acquisition.

(5) Profit estimate of investment corporation and property

(a) Financial condition and business performance;

(b) Validity of the basis for preparing a profit plan;

(c) Growth potential and stability.

(6) Proper disclosure

(a) Adaptability to the statutory disclosure and timely disclosure systems by the investment corporation and the asset management company;

(b) Appropriateness of disclosed contents, completeness of the scope of disclosure, and adequacy of the representation of the disclosure regarding the status of funds, property information, and investment risk, etc.;

(c) Proper disclosure of the purpose of the use of the funds to be raised.

3. In the case of underwriting the Venture Funds for an Initial Public Offering, the details of the Underwriting Examination Items prescribed in Article 16, Paragraph 2 of the Rules shall be set forth in each Item below:

(1) Eligibility for going public
Matters specified in Item 1 of the preceding Paragraph

(2) Soundness of asset management
Matters specified in Item 2 of the preceding Paragraph

(3) Corporate governance and internal administration system
Matters specified in Item 3 of the preceding Paragraph

(4) Conformity between the investees and the investment policy

(a) Investment policy;

(b) Results of investigation conducted by the asset management company regarding the investees (results of investigation conducted upon investment and the latest investigation); and

(c) Acquisition price and the background to the acquisition.

(5) Forecast of business continuity of investment corporation

(a) Soundness of the financial conditions and cash flow management;

(b) Method of formulating an expenditure plan; and

(c) Growth potential and stability.

(6) Proper disclosure

- (a) Adaptability to the statutory disclosure and timely disclosure systems by the investment corporation and the asset management company;
- (b) Appropriateness of disclosed contents, completeness of the scope of disclosure, and adequacy of the representation of the disclosure regarding the status of the funds, investee information, and investment risk, etc.; and
- (c) Proper disclosure of the purpose of use of the funds to be raised.

(Details of Underwriting Examination Items for Public Offering by Listed Issuer)

Article 10 When underwriting the public offering or secondary distribution of Share Certificates, Share Option Certificates, Preferred Equity Investment Certificates, and Beneficiary Certificates of Foreign Share Trust issued by a listed issuer, the details of Underwriting Examination Items prescribed in the provision of Article 17, Paragraph 2 of the Rules shall be set forth in each Item below:

- (1) Eligibility
Whether it falls under anti-social forces, and whether there is a relationship with anti-social forces;
- (2) Financial condition and management performance
 - (a) Soundness of the financial conditions and cash flow management;
 - (b) Analysis of the reason for any change in the financial condition and business performance;
 - (c) Achievement of announced profit plan.
- (3) Forecast of business performance
 - (a) Validity of the basis for preparing a profit plan;
 - (b) Progress of the profit plan;
 - (c) Surplus distribution conditions and the surplus distribution policy.
- (4) Purpose of use and effect of the funds to be raised (or purpose of the secondary distribution in the case of a secondary distribution; the same shall apply in this Item);
 - (a) Appropriateness of purpose of use of the funds to be raised (appropriateness based on the consistency with the business plan);
 - (b) Proper disclosure of purpose of use of the funds to be raised;
 - (c) Appropriation of the funds raised in the past.
- (5) Trend of share price, etc.
 - (a) Share price trend;
 - (b) Trading volume trend;
 - (c) Adequacy of the issuance volume based on the liquidity of Share Certificates, etc. (or the offering volume in the case of a secondary distribution).

- (6) Proper disclosure of company's business, etc.
 - (a) Appropriateness of the company information disclosed, completeness of the disclosed scope, and adequacy of representation of the disclosed information regarding company information, etc. such as business risks, etc.;
 - (b) Proper disclosure of the status after the end of latest business year.
- 2. When underwriting the public offering or a secondary distribution of Real Estate Investment Trust Certificates or Investment Equity Subscription Right Certificates (limited to those for which the investment securities underlying the Investment Equity Subscription Rights are Real Estate Investment Trust Certificates) issued by a listed issuer, the details of Underwriting Examination Items prescribed in the provision of Article 17, Paragraph 2 of the Rules shall be set forth in each Item below:
 - (1) Eligibility
 - Whether it falls under anti-social forces, and whether there is a relationship with anti-social forces;
 - (2) Conformity between the property to be incorporated into the portfolio and the investment policy
 - (a) Investment policy;
 - (b) Details of properties to be incorporated into a portfolio (compliance with the related laws and regulations, contracts for properties, and engineering reports);
 - (c) Acquisition price and a background to the acquisition.
 - (3) Profit estimate for the investment corporation and property
 - (a) Financial condition and business performance;
 - (b) Validity of the basis for preparing a profit plan;
 - (c) Growth potential and stability;
 - (d) Achievement of announced profit plans.
 - (4) Proper disclosure and purpose of use of the funds to be raised
 - (a) Appropriateness of the disclosed contents, completeness of the scope of disclosure, and adequacy of the representation of the disclosure regarding the status of the funds, property information, and investment risk, etc.;
 - (b) Proper disclosure of purpose of use of the funds to be raised;
 - (c) Appropriation of the funds raised in the past;
 - (d) Proper disclosure of the status after the end of the latest business year.
 - (5) Trend of price, etc.
 - (a) Price trend in investment securities;
 - (b) Trading volume trend in investment securities;

(c) Adequacy of the issuance volume based on the liquidity of the investment securities (or the offering volume in the case of a secondary distribution).

3. When underwriting the public offering or a secondary distribution of Venture Funds or Investment Equity Subscription Right Certificates (limited to those for which the investment securities underlying the Investment Equity Subscription Rights are Venture Funds) issued by a listed issuer, the details of Underwriting Examination Items prescribed in the provision of Article 17, Paragraph 2 of the Rules shall be set forth in each Item below:

(1) Eligibility

Matters specified in Item 1 of the preceding Paragraph

(2) Conformity between the investees and the investment policy

(a) Investment policy;

(b) Results of investigation conducted by the asset management companies regarding the investees (results of investigation conducted upon investment and the latest investigation); and

(c) Acquisition price and the background to the acquisition.

(3) Forecast of business continuity of investment corporation

(a) Soundness of the financial conditions and cash flow management;

(b) Method of formulating an expenditure plan; and

(c) Growth potential and stability.

(4) Proper disclosure and purpose of use of the funds to be raised

(a) Appropriateness of disclosed contents, completeness of the scope of disclosure, and adequacy of the representation of the disclosure regarding the status of the funds, investee information, and investment risk, etc.;

(b) Proper disclosure of the purpose of use of the funds to be raised;

(c) Appropriation of the funds raised in the past; and

(d) Proper disclosure of the status after the end of the latest business year.

(5) Trend of price, etc.

Matters specified in Item 5 of the preceding Paragraph

(Details for Underwriting Examination Items of Corporate Bond Certificates)

Article 11 When underwriting the public offering or a secondary distribution of Corporate Bond Certificates prescribed in the provision of Article 18, Paragraph 3 of the Rules, the details of Underwriting Examination Items shall be set forth in each Item below:

(1) Eligibility

Whether it falls under anti-social forces, and whether there is a relationship with anti-social forces;

- (2) Financial condition and cash flow
 - (a) Soundness of the financial conditions and cash flow;
 - (b) Analysis of changes in the financial conditions, business performance, and cash flow;
- (3) Purpose of use of the funds to be raised
 - (a) Appropriateness of purpose of use of the funds to be raised;
 - (b) Proper disclosure of purpose of use of the funds to be raised
 - (c) Appropriation of funds raised in the past.
- (4) Proper disclosure of company's business, etc.
 - (a) Appropriateness of disclosed contents, completeness of the scope of the disclosure, and adequacy of the representation of the disclosed information regarding company information, etc. such as business risks, etc.;
 - (b) Proper disclosure of the status after the end of the latest business year.

(Confirmation and Publication of Purpose of Use of the Funds)

Article 12 The Press Release Materials prescribed in the Article 20, Paragraph 1 of the Rules shall be the Press Release Materials at the time of the resolution of the issuance of a public offering of Share Certificates, etc. Provided, however, that in the case of a public offering of Share Certificates, etc. issued by an issuer of the OTC handled securities prescribed in the Article 2, Item 4 of the "Rules Concerning Over-The-Counter Securities," a company explanation material prescribed in the same Article, Item 3 (or a prospectus in case the filing of a securities registration statement is required) shall be regarded as the Press Release Materials.

- 2. Matters prescribed in the Detailed Rules as provided in Article 20, Paragraph 2, Item 1 of the Rules shall be as follows:
 - (1) Positioning of the M&A in the issuer's growth strategy;
 - (2) Issuer's system for conducting the M&A and the progress of the M&A;
 - (3) Effect on the issuer if the M&A is achieved;
 - (4) Cash flow of the issuer involved in the M&A; and
 - (5) Other matters that the Lead Managing Regular Member Underwriter deems necessary.

(Publication of Trends in Share Prices)

Article 13 The "information on the dilution of indicator per share" prescribed in the Article 22, Paragraph 1, Item 2 of the Rules shall mean the dilutive shares-adjusted net profit amount per share in the current financial year prescribed in the Article 95-5-3, Paragraph 1 of the Rules Concerning the Terminology, Form, and Preparation Method regarding Financial Statements, Etc. and the "status of dilutive shares" shall mean the number of shares by assuming the exercise of rights attached to the dilutive shares prescribed in the same Paragraph after the issuance of the Share Certificates, etc. under a public offering

of Share Certificates, etc. (excluding Preferred Equity Investment Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, Beneficiary Certificates of Foreign Share Trust, and Beneficiary Certificates of Foreign Infrastructure Funds in Trust) divided by the number of outstanding shares immediately before the issuance of such Share Certificates, etc.

(Process of Book Building)

Article 14 The process of Book Building stipulated in Article 25, Paragraph 2 of the Rules shall be prescribed in the following:

(1) Determination of Tentative Terms and Conditions

A Regular Member Underwriter shall take into account the matters prescribed in (a), (b), or (c) below in a comprehensive manner depending on the classification set forth in (a), (b), or (c) below, and determine the Tentative Terms and Conditions in consultation with the issuer or Secondary Distributor:

(a) Determination of the Tentative Terms and Conditions of any public offering or a secondary distribution of Share Certificates, etc. for an Initial Public Offering (excluding the listing of Share Certificates, etc. issued by an issuer (hereinafter referred to as a “Foreign Market Listed Issuer”) whose Share Certificates etc. listed on a Foreign Financial Instruments Market (including the Over-The-Counter market; the same shall apply hereinafter) in a Domestic Financial Instruments Exchange Market).

- (i) Business profile, financial condition, and business performance of the issuer of the Share Certificates, etc. for the public offering or a secondary distribution;
- (ii) Opinions from persons who have professional knowledge and experience in investment in securities; and
- (iii) Other materials and opinions that may be referenced for the determination of the Tentative Terms and Conditions.

(b) Determination of the Tentative Terms and Conditions of the public offering or a secondary distribution of Share Certificates, issued by a listed issuer or Foreign Market Listed Issuer

- (i) The market value and liquidity of the Share Certificates, Preferred Equity Investment Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, Beneficiary Certificates of Foreign Share Trust, or Beneficiary Certificates of Foreign Infrastructure Funds in Trust of the issuer of the Share Certificates, etc. for public offering or secondary distribution and the Financial Instruments Markets (for Beneficiary Certificates of Foreign Share Trust, or Beneficiary Certificates of Foreign Infrastructure Funds in Trust, if foreign share certificates or foreign Infrastructure Funds that are entrusted securities prescribed in Article 2-3, Item 3 of the Enforcement Order of the Financial Instruments and Exchange Act are listed on a Foreign Financial Instruments Market, such Financial Instruments Market shall be included) in which the Share Certificates, Preferred Equity Investment Certificates, Real Estate Investment Trust Certificates, Infrastructure Funds, Venture Funds, Beneficiary Certificates of Foreign Share Trust, or Beneficiary Certificates of Foreign Infrastructure Funds in Trust are publicly disclosed;
- (ii) Business profile, financial condition, and business performance of the issuer of the Share Certificates, etc. for the public offering or secondary distribution; and
- (iii) Other materials and opinions that may be referenced for the determination of the Tentative

Terms and Conditions.

(c) Determination of the Tentative Terms and Conditions of the public offering of Corporate Bond Certificates, etc.

- (i) Credibility of the issuer of Corporate Bond Certificates, etc. for public offering, and summary of issuance terms and conditions
- (ii) Opinions from persons who have professional knowledge and experience in investment in securities;
- (iii) Matters that may be referenced depending on the type of public offering such as yield of corporate bonds that have already been issued by the issuer of the Corporate Bond Certificates, etc. for the public offering, yield of Corporate Bond Certificates, etc. issued by an issuer who has credibility similar to that of the issuer of the Corporate Bond Certificates, etc. for the public offering, trading reference prices, etc.;
- (iv) Other materials and opinions that may be referenced for the determination of the Tentative Terms and Conditions.

(2) Survey of the Demand

A Regular Member Underwriter shall formulate a policy for understanding demands and shall carry out a survey of the demands based on that policy and shall not include demands that are clearly subject to the following in the survey:

- (a) Demands not based on the investor's demand;
- (b) Excessive demands aimed at having an allotment; and
- (c) Multiple demands based on the same demand by a single investor.

(3) Record Retention

A Regular Member Underwriter shall keep records of the survey of demand either in writing or in electromagnetic methods, etc. for a six-month period.

2. When a Regular Member Underwriter finds an overlap in demands with demands at the other Regular Member Underwriters in the survey of the demand prescribed in Item 2 of the preceding Paragraph, the Regular Member Underwriter shall consult with the other Regular Member Underwriters.

(Determination of IPO Price by Book Building at Initial Public Offering)

Article 15 The matters necessary for the determination of IPO Price through Book Building prescribed in Article 25, Paragraph 3 of the Rules shall be as follows:

(1) Determination of IPO Price outside of Tentative Terms and Conditions

In determining an IPO Price that is higher than the upper limit price of the Tentative Terms and Conditions or an IPO Price that is lower than the lower limit price of the Tentative Terms and Conditions (hereinafter referred to as the "IPO Price Outside of Tentative Terms and Conditions"), no further Book Building shall be necessary, provided that the IPO Price Outside of Tentative Terms and Conditions remains within the range separately specified by the Association.

(2) Change in the number of shares

In changing the number of shares simultaneously with the determination of the IPO Price, no further Book Building shall be necessary as long as the number of shares falls within the range

separately specified by the Association.

2. In the case of a determination of IPO Price Outside of Tentative Terms and Conditions or a change in the number of shares within the respective ranges separately specified by the Association as provided in the items of the preceding Paragraph without conducting further Book Building, a Regular Member Underwriter shall confirm the possibility of a determination of an IPO Price Outside of Tentative Terms and Conditions as well as the range of the possible IPO Prices, and the possibility of a change in the number of shares as well as the range of the possible number of shares without conducting further Book Building are stated in the securities registration statement and the prospectus.
3. If there is a possibility of a determination of IPO Price Outside of Tentative Terms and Conditions or a change in the number of shares prescribed in the items in Paragraph 1 taking place, a Regular Member Underwriter shall explain the following matters to the investors before the IPO Price is determined:
 - (1) Possibility of a determination of IPO Price Outside of Tentative Terms and Conditions within the range stated in the securities registration statement and the prospectus without conducting further Book Building, the range of possible IPO Prices, and how investors can check the determined IPO Price; and
 - (2) Possibility of a simultaneous change in the number of shares along with the determination of the IPO Price within the range stated in the securities registration statement and the prospectus without conducting further Book Building, the range of the possible number of shares, and how investors can check the determined number of shares.

(Pre-Marketing Procedures)

Article 16 Pre-Marketing Procedures prescribed in Article 25-2, Paragraph 2 of the Rules shall be as follows:

- (1) Determination of examination scope of Issue Price, etc.

A Regular Member Underwriter shall consider the matters set forth below in a comprehensive manner to determine the scope of examination of Issue Price, etc. (including the Tentative Terms and Conditions if the Tentative Terms and Conditions are to be determined) after discussing with the issuer. When determining the Tentative Terms and Conditions, provisions of the Article 14, Paragraph 1, Item 1(c) shall apply *mutatis mutandis*.

 - (a) Credibility of the issuer of Corporate Bond Certificates, etc. for public offering, and summary of issuance terms and conditions;
 - (b) Opinions from investors on the level of issuance terms and conditions;
 - (c) Matters may be referred depending on the type of public offering such as yield of corporate bonds that have already been issued by the issuer of the Corporate Bond Certificates, etc. for the public offering, yield of Corporate Bond Certificates, etc. issued by an issuer who has credibility similar to that of the issuer of the Corporate Bond Certificates, etc. for the public offering, trading reference prices;
 - (d) Other materials and opinions that may be referenced for the determination of the issuance terms and conditions.
- (2) Survey of Level of Issuance Terms and Conditions

A Regular Member Underwriter shall formulate a policy for understanding the level of issuance terms and conditions and shall carry out a survey of level of issuance terms and conditions based on the policy.

(3) Record Retention

A Regular Member Underwriter shall keep a record of the survey of level of issuance terms and conditions in writing or in electromagnetic methods, etc. for a six-month period.

(Application *Mutatis Mutandis* to Overseas Issuance)

Article 17 When Article 23 of the Rules applies *mutatis mutandis* to public offering of Share Certificates, etc. outside Japan by a listed issuer in Japan in accordance with the Article 37, Paragraph 3 of the Rules, the description in the securities registration statement to be submitted at the time when the secondary distribution of Share Option Certificates is made in Japan and the extraordinary report to be submitted at the time when public offering of Share Certificates, etc. is made outside Japan shall be regarded as descriptions in the securities registration statement. With respect to the description in the extraordinary report, only the provision of Article 20, Paragraph 1 and 3 of the Rules shall apply.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) This amendment comes into effect as of November 6, 2023 and shall be applied to all public offerings and secondary distributions of share certificates, etc., for which corporate resolutions (including executive officers' decision for Companies with a Nominating Committee and directors' decision for Companies with an Audit and Supervisory Committee) or resolutions of board of investment corporations are adopted on and after this date.

<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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