

RULES CONCERNING DISTRIBUTION, ETC. TO CUSTOMERS RELATED TO UNDERWRITING, ETC. OF PUBLIC OFFERING, ETC. OF SHARE CERTIFICATES, ETC.

(August 8, 1997)

CHAPTER I GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Distribution, Etc. to Customers related to Underwriting, Etc. of Public Offering, Etc. of Share Certificates, Etc. (hereinafter referred to as the “Rules”) is to smoothly sell Share Certificates, etc., properly distribute to customers and ensure fair business operations that respect the actual market by prescribing necessary matters when Association Members conduct underwrite, etc. of Share Certificates, etc., for public offering, etc.

(Definitions)

Article 1-2 In these Rules, the definition of the terms set forth in each of the following Items shall be prescribed therein:

1. Share Certificates, etc.
Share certificates set forth in Article 2, Item 1 of the “Rules Concerning Underwriting, Etc., of Securities” (hereinafter referred to as “Underwriting Rules”).
2. Real Estate Investment Trust Securities
Investment securities set forth in Article 2, Paragraph 1, Item 11 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”), whose purpose is to manage funds of investors as investment primarily in real estate, etc..
3. Infrastructure Funds
Investment securities or foreign investment securities set forth in Article 2, Paragraph 1, Item 11 of the FIEA, whose purpose is to manage funds of investors as investment primarily in infrastructure assets, etc.
4. Venture Funds
Investment securities set forth in Article 2, Paragraph 1, Item 11 of the FIEA, whose purpose is to manage funds of investors as investment primarily in unlisted stocks, etc.
5. Asset Management Company
Asset management company set forth in Article 2, Paragraph 19 of the Act on Investment Trusts and Investment Corporations.
6. Public Offering
Public offering of securities set forth in Article 2, Paragraph 3 of the FIEA (excluding those related to the Standby Rights Offering set forth in Article 2, Item 25 of the Underwriting Rules).
7. Secondary Distribution
Secondary distribution of securities set forth in Article 2, Paragraph 4 of the FIEA for which a prospectus or an Explanatory Note on Business Conditions as specified under Article 2, Item 3 of the Rules Concerning Over-the-Counter Securities is required.

8. Underwriting, etc. of Public Offering, etc.
Underwriting a Public Offering or Secondary Distribution, handling a Public Offering (excluding the equity-based crowdfunding business set forth in Article 2, Item 2 of the Rules Concerning Equity-Based Crowdfunding Business) or a Secondary Distribution, or engaging in Secondary Distribution.
9. Regular Member Underwriter
Regular Member Underwriter set forth in Article 2, Item 8 of the Underwriting Rules.
10. Lead Managing Regular Member Underwriter
Lead Managing Regular Member Underwriter set forth in Article 2, Item 9 of the Underwriting Rules.
11. Representing Lead Managing Regular Member Underwriter
If there is only one Lead Managing Regular Member Underwriter, it shall be the Lead Managing Regular Member Underwriter. If there are two or more Lead Managing Regular Member Underwriters, the representing one shall be the Representing Lead Managing Regular Member Underwriter.
12. Co-acting Lead Managing Regular Member Underwriter
When there are two or more Lead Managing Regular Member Underwriters, the Lead Managing Regular Member Underwriters other than the Representing Lead Managing Regular Member Underwriter shall be the Co-acting Lead Managing Regular Member Underwriters.
13. Other Regular Member Underwriter
Other Regular Member Underwriter set forth in Article 2, Item 10 of the Underwriting Rules.
14. Preferential Allotment
Selling to a person designated by the issuer (including substantially similar acts such as suggesting a purchaser).
15. Book Building
Book Building set forth in Article 2, Item 16 of the Underwriting Rules.
16. Road Show
Hearing of opinions of persons with expert knowledge and experience in investing in securities, which is conducted in determining the tentative terms and conditions of a Public Offering or Secondary Distribution of Share Certificates, etc.

CHAPTER II PROPER DISTRIBUTION

(Proper Distribution)

- Article 2** When an Association Member conducts the Underwriting, etc. of Public Offering, etc., it must fully consider the market condition and the trend of investment demand, and endeavor to distribute Share Certificates, etc. related to the Underwriting, etc. of the Public Offering, etc. to customers in a fair manner and not to concentrate on specific investors without a reasonable cause.
2. When a Regular Member Underwriter conducts the Underwriting of Public Offering or Secondary Distribution of Share Certificates, etc., it must not conduct the preferential allotment. Provided, however, that this provision does not apply if all the requirements set forth below are fulfilled:
 - (1) The Regular Member Underwriter judges that even after the preferential allotment is conducted, the distribution does not breach the provision in the preceding Paragraph;

- (2) Regarding the preferential allotment, the issuer of the Share Certificates, etc. properly discloses the condition (meaning a summary of the entity subject to the preferential allotment, relationship between issuer and such entity, reason why such entity is selected, the number of share certificates to be distributed to the entity, policy of holding share certificates in relation to the preferential allotment, entity's status of funds to be used for the payment, and the actual status of the entity) of the entity subject to the preferential allotment (an entity who is expected to be distributed in the preferential allotment; the same shall apply hereinafter), transfer restriction of Share Certificates, etc. under the preferential allotment, issuance conditions, major shareholders after the preferential allotment, whether reverse share split is planned or not and details if planned, and other reference matters;
 - (3) The Lead Managing Regular Member Underwriter receives a commitment in writing from the entity subject to the preferential allotment that it would continue holding Share Certificates, etc. during the period from the last payment date or the last day of the payment period for such Public Offering, or the delivery date for the Secondary Distribution to the date when 180 days have passed since any of the above-mentioned dates.
3. When parallel allotment of new shares to a third party (i.e. allotment of new shares to a third party (prescribed in Article 19, Paragraph 2, Item 1(xii) of the Cabinet Office Ordinance Concerning the Disclosure of Corporate Business; in that provision, "share certificates, share option certificates, and bonds with share options" shall be read as "Share Certificates, etc."; the same shall apply hereinafter) by the issuer of the Share Certificates, etc. which is simultaneously conducted with public offering or secondary distribution of Share Certificates, etc. that is underwritten by the Regular Member Underwriter; the same shall apply hereinafter) is conducted, the Regular Member Underwriter must request the issuer to respect the purport of the provisions in the preceding Paragraph (excluding Item 2 of the same Paragraph) at the time of conducting a parallel allotment of new shares to a third party.

CHAPTER III. DISTRIBUTION TO RETAIL CUSTOMERS AT THE INITIAL PUBLIC OFFERING

(Partial Distribution by Drawing at the Initial Public Offering)

Article 3 When an Association Member distributes share certificates or beneficiary certificates of foreign share trust to retail customers at the time of initial public offering (as for the foreign share trust beneficiary certificates, limited to the cases of issuance where foreign share certificates that become entrusted securities, prescribed in Article 2-3, Item 3 of the "Enforcement Ordinance of the Financial Instruments and Exchange Act," are issued by an issuer who has not listed them in any Foreign Financial Instruments Market (including the over-the-counter market; the same shall apply hereinafter); the same shall apply hereinafter), in principle, it shall determine the distributing parties by drawing for 10% or more of the quantity that is to be distributed by the Association Member to retail customers; provided, however, that it may decrease the ratio for drawing, may not adopt the distribution by drawing, or may cancel the distribution by drawing in any of the following cases:

- (1) The demand for the book building is not sufficiently accumulating;
- (2) The number of retail customers' applications received by an Association Member does not reach the quantity that is planned for distribution to retail customers by the Association Member;
- (3) The number of applications for drawing received by an Association Member does not reach the quantity that is planned for distribution by drawing by the Association Member;

- (4) The quantity that is planned for distribution by drawing does not reach five units;
- (5) The Association Member is specialized in the wholesale business;
- (6) Other rational reasons, if any.

(Prohibition of Centralized Distribution and Unfair Distribution)

Article 4 In the case where an Association Member distributes share certificates or beneficiary certificates of foreign share trust to retail customers at the initial public offering under a method other than drawing, it must not excessively centralize the distribution or conduct an unfair distribution to a specific customer. The Association Member must pay attention that the distribution to each customer by means other than drawing should not be excessive compared with the average quantity distributed by drawing to each customer, and must not repeatedly distribute to the same customer.

CHAPTER IV PROVISION OF THE DEMAND AND SHARE DISTRIBUTED ENTITY INFORMATION

(Provision of the Demand and Share Distributed Entity Information to Representing Lead Managing Regular Member Underwriter)

Article 5 The Co-acting Lead Managing Regular Member Underwriters and other Regular Member Underwriters shall provide the demand and share distributed entity information (meaning the Demand and Share Distributed Entity Information defined in the following paragraph; the same shall apply hereinafter) pertaining to a customer (meaning Customers as set forth in the items of Article 7, Paragraph 1; the same shall apply hereinafter in this Article and the following Article) to the Representing Lead Managing Regular Member Underwriter without delay.

2. Demand and Share Distributed Entity Information shall be the information specified in the following items:
 - (1) Information on names of Customers who received the Road Show, as well as the estimated share price of Share Certificates, etc., the intention to participate in the Public Offering or Secondary Distribution and other information among the opinions of such customers that the Regular Member Underwriter finds to serve as reference information in determining the tentative terms and conditions;
 - (2) Information on names of Customers who submitted to Book Building, as well as information on the demand price and the number of Share Certificates, etc., declared by such customers; and
 - (3) Information on name of Customers who has been allotted the underwritten Share Certificates, etc. (excluding those via Preferential Allotment) and the number of Share Certificates, etc., allotted to such Customers.
3. In acquiring the Demand and Share Distributed Entity Information, a Regular Member Underwriter shall inform its customers in advance that such information will be provided to the Issuer, etc., (meaning the Issuer (including an Asset Management Company of an investment corporation that is an issuer of Real Estate Investment Trust Securities, an Asset Management Company of an investment corporation that is an issuer of Infrastructure Funds, and an Asset Management Company of an investment corporation that is an issuer of Venture Funds; the same shall apply hereinafter) and the secondary distributor designated by the Issuer upon discussion with the Representing Lead Managing Regular Member Underwriter; the same shall apply hereinafter).

4. A Regular Member Underwriter shall inform the Customer in advance that the Customer may refuse to provide its name with respect to the information under Paragraph 2, Item 1, and that the Regular Member Underwriter shall provide the Customer's name anonymously when such a request is made.

(Provision of the Demand and Share Distributed Entity Information from Representing Lead Managing Regular Member Underwriter to Issuer, etc.)

Article 6 A Representing Lead Managing Regular Member Underwriter must provide the Demand and Share Distributed Entity Information pertaining to a Customer that it acquired and the Demand and Share Distributed Entity Information provided pursuant to the provisions of the preceding Article to the Issuer, etc., of the Share Certificates, etc., without delay.

(Customers Pertaining to the Demand and Share Distributed Entity Information)

Article 7 The customers pertaining to the Demand and Share Distributed Entity Information shall be those listed in the following items (excluding individuals):

- (1) The following entities that are appropriate to be customers pertaining to the Demand and Share Distributed Entity Information:
 - (a) Bank;
 - (b) Financial instruments business operator that engages in investment advisory and agency business or investment management business; and
 - (c) Investment corporation (as defined in Article 2, Paragraph 12 of the Act on Investment Trusts and Investment Corporations).
 - (2) Insurance company
 - (3) Pension Fund Association
 - (4) Shinkin Central Bank
 - (5) The Shinkumi Federation Bank
 - (6) The Norinchukin Bank
 - (7) National Mutual Insurance Federation of Agricultural Cooperatives
 - (8) National Mutual Insurance Federation of Fishery Cooperatives
 - (9) The Rokinren Bank
 - (10) The Shoko Chukin Bank, Ltd.
 - (11) Nonresident as defined in Article 6, Paragraph 1, Item 6 of the Foreign Exchange and Foreign Trade Act
2. The Representing Lead Managing Regular Member Underwriter shall identify the customers in Item 1 of the preceding Paragraph, notify the Co-acting Lead Managing Regular Member Underwriters and other Regular Member Underwriters of the names of such customers without delay after the resolution of the board of directors (including executive officers' decision for companies with a nominating committee and directors' decision for companies with an audit and supervisory committee) concerning

the Public Offering or Secondary Distribution was adopted (in case of initial public offering, after approval for listing on the financial instruments exchange) and submit it to the Association in the prescribed form.

(Management of the Demand and Share Distributed Entity Information by Issuer, etc.)

Article 8 If the Issuer, etc., receives the Demand and Share Distributed Entity Information that is provided pursuant to Article 6, the Representing Lead Managing Regular Member Underwriter must receive a commitment in writing from the Issuer, etc., that the Issuer, etc., would properly manage the Demand and Share Distributed Entity Information to avoid any leakage.

CHAPTER V. BASIC POLICY AND INTERNAL RULES ON DISTRIBUTION, etc.

(Preparation and Announcement of Basic Policy on Distribution)

Article 9 When an Association Member conducts Underwriting, etc. of Public Offering, etc. it must prepare in advance the basic policy on distributing share certificates, etc. to investors (hereinafter referred to as the “Basic Policy”).

2. The Basic Policy prescribed in the preceding Paragraph shall describe matters set forth in each Item below concretely and in an easy-to-understandable manner to investors to the extent possible:
 - (1) The ratio of quantity under drawing and the dealing of drawing;
 - (2) Such matters for which the Association Member may decrease the ratio of quantity under drawing, may not adopt the drawing, or may cancel the drawing;
 - (3) Dealing of distribution by means other than the drawing;
 - (4) Measures taken to prevent excessive centralized distribution and unfair distribution;
 - (5) The relationship with distribution in the case where the book-building method is adopted;
 - (6) Other matters that the Association Member deems necessary for the Investment Decision by investors.
3. An Association Member must disseminate the detailed contents of the Basic Policy to investors by appropriate means such as displaying it on its branch offices/sales counters, or uploading it on its web site, etc.
4. An Association Member must submit its Basic Policy to the Association if it is requested by the Association.

(Establishment of Internal Rules)

Article 10 An Association Member must establish internal rules on the distribution, etc. of share certificates, etc. subject to the Underwriting, etc. of Public Offering, etc. (hereinafter referred to as the “Internal Rules”) and comply with them.

2. The Internal Rules shall prescribe the followings set forth in each Item below in detail and concretely to the extent possible:
 - (1) Basic Policy on distribution;

- (2) The ratio of quantity under drawing and the dealing of drawing;
 - (3) Such matters for which the Association Member may decrease the ratio of quantity under drawing, may not adopt the drawing, or may cancel the drawing;
 - (4) Customers, etc. that are not allowed to apply for the distribution;
 - (5) Dealing of distribution by means other than the drawing;
 - (6) Measures taken to prevent excessive centralized distribution and unfair distribution;
 - (7) Compliance with laws and regulations, etc.;
 - (8) Dealing of distribution related to hot issues;
 - (9) Dealing of distribution when the equity market environment deteriorates;
 - (10) The relationship with distribution in the case where the book-building method is adopted;
 - (11) The relationship with distribution in the case where another method is adopted;
 - (12) Method of providing the Demand and Share Distributed Entity Information;
 - (13) Internal inspection procedures;
 - (14) Other matters that the Association Member deems necessary.
3. An Association Member must submit its Internal Rules to the Association if requested by the Association.

(Enhancement of Internal Administration System)

Article 11 An Association Member must regularly inspect whether the distribution, etc. of share certificates, etc. under the Underwriting, etc. of Public Offering, etc. was properly conducted pursuant to its Internal Rules under the responsibility of the Internal Administration Supervisor.

CHAPTER VI. MISCELLANEOUS PROVISIONS

(Retention, Etc. of Record)

Article 12 An Association Member must retain the record set forth below for five years so that an external audit and inspection, etc. are conducted properly:

- (1) Record concerning distribution of individual issues;
 - (2) Record concerning quantity under drawing (including the reason for decreasing the ratio of quantity under drawing, not adopting the drawing, or canceling the drawing; if any);
 - (3) Record concerning results of inspection set forth in the preceding Article.
2. An Association Member shall respond to a request for submission of or undergo an audit of the record set forth in each Item of the preceding Paragraph, if the Association requests:

(Announcement of Distribution Condition)

Article 13 A Regular Member must collect the information on distribution of share certificates, etc. underwritten by itself on a quarterly basis, analyze the information, and report the result of analysis to the Association using the prescribed form.

2. An Association Member must summarize the distribution condition of share certificates, etc. or foreign share trust beneficiary certificates to retail customers at the initial public offering on a monthly basis, analyze it, and report it to the Association using the prescribed form by the month after the next month in which the payment due date falls.
3. The Association shall regularly announce to the general public the distribution condition reported by Association Members pursuant to the preceding two Paragraphs.

(Mutatis Mutandis Application to Public Offering or Secondary Distribution Overseas)

Article 14 In the case that an issuer in Japan conducts Public Offering or Secondary Distribution of Share Certificates, etc., overseas, if an Association Member introduces its own overseas affiliated company (foreign corporation that is an affiliated company prescribed in Article 177, Paragraph 6 of the Cabinet Ordinance Concerning Financial Instruments Business, Etc.) for the Underwriting, the Association Member shall request such overseas affiliated company to comply with the provision of Article 2, Paragraph 2 regarding the Preferential Allotment and the provision of the same Article, Paragraph 3 regarding the parallel allotment of new shares to a third party respectively, and to provide the Issuer, etc., with the Demand and Share Distributed Entity Information pursuant to Chapter IV.

(Reporting to the Association)

Article 15 The Association may request Regular Members to submit a report or materials on these Rules if the Association deems it necessary.

2. A Regular Member must respond to a request for submitting a report or materials prescribed in the preceding Paragraph.

(Exemption from Application of Part of Rules)

Article 16 These Rules shall not apply to the handling of public offering or secondary distribution of Real Estate Investment Trust Securities, Infrastructure Funds or Venture Funds (limited to the case that it is an allotment of new shares to a third party other than the parallel allotment of new shares to a third party, and that the Share Distributed Entity is disclosed).

SUPPLEMENTARY PROVISIONS [Omitted]

(Notes) 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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