

September 28, 2022

## Imposition of Disciplinary Action against Okayasu Shoji Co.,Ltd.

Osaka Exchange, Inc. (OSE) has taken disciplinary action against Okayasu Shoji Co.,Ltd. (hereinafter, the "Company") in accordance with Rule 42, Paragraph 1 of the OSE Trading Participant Regulations and has requested that the Company submit a business improvement report pursuant to Rule 17, Paragraph 1 of the same Regulation.

### 1. Outline

- Suspension of derivatives trading (excluding, however, settlement transactions for customers, transactions for the account of the broker's consignee, and other transactions separately approved by OSE) for the period from October 17 through October 19, 2022.
- Imposition of a JPY 50 million penalty

Note: The decision on this case was made based on deliberations carried out by Japan Exchange Regulation.

### 2. Reason

From August 30, 2010 to February 28, 2022, the Company manipulated the calculation of its capital adequacy ratio to be higher than the actual value, not reflecting the actual status.

Accordingly, the Company reported to authorities the said capital adequacy ratio in the business reports provided for in Article 172, Paragraph 1 of the Cabinet Office Order on Financial Instruments Business, etc. (hereinafter, the "Cabinet Order") per Article 46-3, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter, the "Act"). In addition, the Company reported and disclosed publicly the said capital adequacy ratio in the supplementary document provided for in Article 174 of the Cabinet Order per Article 46-4 of the Act and in the document with the statement of the capital adequacy ratio provided for in Article 46-6, Paragraph 3, of the Act.

During a part of the said period, the capital adequacy ratio fell below the 120% limit provided for in Article 46-6, Paragraph 2 of the Act. In addition, the Company failed to file a notification as stipulated in Article 179, Paragraph 1, Item 1 of the Cabinet Order per Article 46-6, Paragraph 1 of the Act (where the capital adequacy ratio falls below

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140%), and a report as stipulated in Article 5, Paragraph 1, Item 10-a of the Enforcement Rules of Regulations for Transaction Participants pursuant to Article 16 of the OSE Trading Participant Regulations (where the capital adequacy ratio falls below 140%).

Furthermore, at the time the product transfer from TOCOM to OSE was implemented in July 2020, the Company gained a Futures, etc. Trading Participant qualification at OSE. However, the capital adequacy ratio submitted in connection with the Company's application for said qualification was the one calculated in the manner described above, which did not reflect the actual status.

As a result, with regards to the acquisition of said trading qualification, the Company's actual capital adequacy ratio was found to be 118.7% (as of July 20, 2020, the approval date of the trading qualification), which was lower than the 120% or higher capital adequacy ratio required as of the grant date of the trading qualification.

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