

Revisions to Trading Rules in Connection with Shortening of Stock Settlement Cycle

September 27, 2017

Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange, Inc. (TSE) will make necessary revisions to TSE's trading rules as indicated below based on the "Final Report of the Working Group on Shortening Stock Settlement Cycle in the Japanese Market" published in June 2016 by the Working Group on Shortening Stock Settlement Cycle. The group examined how to shorten the stock settlement cycle in the Japanese market (moving toward T+2) with TSE, Japan Securities Dealers Association (JSDA), and Japan Securities Clearing Corporation (JSCC) acting as a secretariat.

II. Outline

Item	Description	Remarks
1. Settlement day	<ul style="list-style-type: none">- Regular transactions (excluding those pertaining to JGBs) will be settled on the third day counting from the day on which a trading contract is made (except non-business days; the same shall apply hereinafter in the calculation of the number of days).	<ul style="list-style-type: none">- Transactions of ToSTNeT and off-auction distribution are treated in the same way.- In accordance with the change indicated on the left, the delivery period of a security to sell or purchase consideration from a customer to a trading participant will be moved one day earlier, and the settlement period will be shortened by one day in any of the following cases:<ul style="list-style-type: none">➤ If trading is conducted on a date specified as an ex-dividend, etc. pertaining to investment securities➤ In trading of coupon-bearing convertible bonds and coupon-bearing exchangeable corporate bonds, if the

(Reference Translation)

		<p>final application date of old conditions, the date of expiration of interim redemption request period, or the day before coupon payment date falls on the fourth day counting from the date on which the trading contract is concluded</p> <p>➤ In trading of coupon-bearing convertible bonds and coupon-bearing exchangeable corporate bonds, if the day before coupon payment date falls on the fourth day counting from the date on which the trading contract is concluded, and the next day is the final application date of old conditions or the date of expiration of interim redemption request period; or if the final application date of old conditions or the date of expiration of interim redemption request period falls on the fourth day counting from the date on which the trading contract is concluded, and the next day falls on the day before coupon payment date</p> <p>- For more information on the settlement period for convertible bonds and exchangeable corporate bonds, please refer to the appendix.</p>
2. Customer margin for margin trading	- In accordance with the change indicated in 1., a customer shall submit customer margin pertaining to margin trading by the time designated by a trading participant before noon JST of the third	- In cases where additional customer margin is required, a trading participant shall have to require a customer to submit the additional customer margin by noon JST on the third day

(Reference Translation)

	day counting from the date on which the transaction is executed.	counting from the date on which an implicit loss is incurred by such customer.
3. Other	<ul style="list-style-type: none"> - In accordance with the change in indicated in 1., the period or date, etc. specified below will also change. <ul style="list-style-type: none"> ➤ The settlement deadline for proprietary sale or purchase on margin and satisfaction deadline of securities or money borrowed for margin trading ➤ The period and settlement date of when-issued transactions and submission period or deposit deadline of customer margin and trading margin ➤ The ex-dividend date, etc. pertaining to regular transactions, the date on which trading starts for stocks after a reserve stock split, the new acquisition value date, the date on which a transaction is made as an ex-rights transaction pertaining to the rights to claim for redemption before maturity of convertible bonds, etc. and transaction suspension period pertaining to convertible bonds, etc. ➤ The record date, etc. to ascertain entities who receive a right pertaining share split or gratis allotment of shares if a stock split or gratis allotment of shares, etc. is carried out ➤ The date on which a stock falls under delisting criteria and/or the delisting date, etc. ➤ The date on which a security is delivered after a postponement if 	<ul style="list-style-type: none"> - The application cut-off time for error correction will be 2:00 p.m. JST on the day before the settlement day.

(Reference Translation)

	a non-clearing participant postpones delivery of a security - Any other revisions necessary	
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III. Implementation Date (Tentative)

- The revisions are scheduled to be implemented in April or after May 6, 2019. The date will be determined based on the progress of systems updates/testing conducted to adapt to a shortened settlement cycle at TSE, trading participants, and relevant organizations.

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$T+3 \Rightarrow T+2$
(Normal cases)

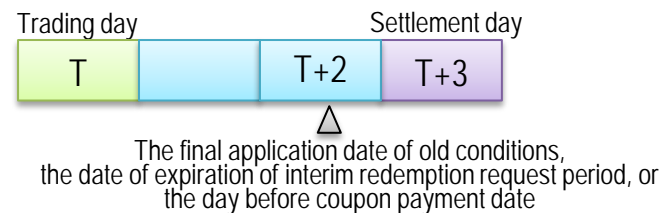
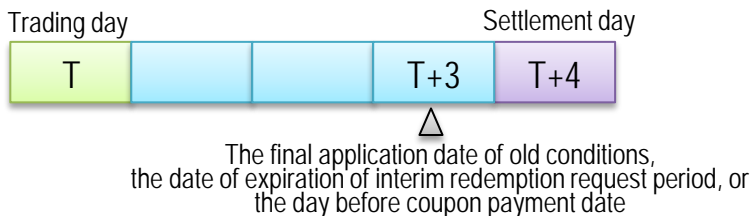


After moving to $T+2$



$T+4 \Rightarrow T+3$

((1) Cases where the final application date of old conditions, the date of expiration of interim redemption request period, or the day before coupon payment date falls on the scheduled settlement day counted according to the normal settlement cycle)



$T+5 \Rightarrow T+4$

((2) Cases where the scheduled settlement day counted according to the normal settlement cycle falls on the day before coupon payment date, and the next day falls on the final application date of old conditions or the date of expiration of interim redemption request period AND

((3) Cases where the scheduled settlement day counted according to the normal settlement cycle falls on the final application date of old conditions or the date of expiration of interim redemption request period, and the next day falls on the day before coupon payment date)

