

Guidelines Concerning Measures to Raise the Security Deposit Ratio, etc.

Tokyo Stock Exchange, Inc. (hereinafter referred to as "the Exchange") shall implement measures to raise the security deposit ratio, etc. for an issue based on the following guidelines when the Exchange deems that there are excessive margin transactions in the issue.

I. Criteria for Implementation

1. Criteria for implementation of the primary measure

If an issue subject to daily publication falls under any of the criteria specified in the following (1) to (4), the Exchange shall implement the measure to raise the security deposit ratio, etc. for new margin sales and purchases on and after the next business day from when the Exchange confirms that the stock falls under the criteria.

(1) Criteria for outstanding margin transactions

In the case of falling under any of the following:

- i) The ratio of outstanding sales to listed shares is 15% or more, and ratio of outstanding sales to outstanding purchases is 70% or more,
- ii) The ratio of outstanding purchases to listed shares is 30% or more, and the difference between the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average), or
- iii) When the Exchange publicizes an "Issue for which outstanding margin transactions are continuously increasing", on or after the corresponding day of the following month, the ratio of outstanding sales to listed shares is 15% or more, or the ratio of outstanding purchases to listed shares is 30% or more.

(2) Criteria for margin transaction ratio

In the case where the difference in the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days and the stock falls under any of the following (limited to cases where the trading volume on each business day is 1,000 trading units or more):

- i) The ratio of new margin sales is 20% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is below its 25-day moving

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average), or

- ii) The ratio of new margin purchases is 40% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average)

(3) Criteria for turnover ratio

In the case where the difference between the price of the stock and its 25-day moving average is 20% or more on any given business day, and the stock falls under any of the following:

- i) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin sales on the business day is 30% or more (limited to cases where the price of the stock on the business day is below its 25-day moving average), or
- ii) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin purchases on the business day is 60% or more (limited to cases where the price of the stock on the business day is above its 25-day moving average)

(4) Exception

For cases that do not fall under any of the criteria in (1) to (3), where the Exchange deems that measures are necessary in consideration of the margin transaction conditions and the nature of the stock.

2. Criteria for implementation of the secondary measure

If an issue subject to the primary measure falls under any of the criteria specified in the following (1) to (4), the Exchange shall implement the measure to further raise the security deposit ratio, etc. for new margin sales and purchases on and after the next business day from when the Exchange confirms that the stock falls under the criteria.

(1) Criteria for outstanding margin transactions

In the case of falling under any of the following:

- i) The ratio of outstanding sales to listed shares is 20% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the primary measure), and the ratio of

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- outstanding sales to outstanding purchases is 80% or more,
- ii) The ratio of outstanding purchases to listed shares is 40% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day of falling under the implementation criteria for the primary measure), and the difference between the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average), or
 - iii) For cases that fall under 1. (1) Criteria for outstanding margin transactions, iii), the ratio of outstanding sales to listed shares is 20% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the primary measure), or the ratio of outstanding purchases to listed shares is 40% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day of falling under the implementation criteria for the primary measure).

(2) Criteria for margin transaction ratio

In the case where the difference in the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days and the stock falls under any of the following (limited to cases where the trading volume on each business day is 1,000 trading units or more):

- i) The ratio of new margin sales is 20% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is below its 25-day moving average), or
- ii) The ratio of new margin purchases is 40% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average)

(3) Criteria for turnover ratio

In the case where the difference between the price of the stock and its 25-day moving average is 20% or more on any given business day and the stock falls under any of the following:

- i) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin sales on the business day is 30% or more (limited to cases where the price of the stock on the business day is below its 25-day moving average),
or
- ii) The trading volume on the business day is equal to or more than the number of listed

shares, and the ratio of new margin purchases on the business day is 60% or more (limited to cases where the price of the stock on the business day is above its 25-day moving average)

(4) Exception

For cases that do not fall under any of the criteria in (1) to (3), where the Exchange deems that measures are necessary in consideration of the margin transaction conditions and the nature of the stock.

3. Criteria for implementation of the tertiary measure

If an issue subject to the secondary measure falls under any of the criteria specified in the following (1) to (4), the Exchange shall implement the measure to further raise the security deposit ratio, etc. for new margin sales and purchases on and after the next business day from when the Exchange confirms that the stock falls under the criteria.

(1) Criteria for outstanding margin transactions

In the case of falling under any of the following:

- i) The ratio of outstanding sales to listed shares is 25% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the secondary measure), and the ratio of outstanding sales to outstanding purchases is 90% or more,
- ii) The ratio of outstanding purchases to listed shares is 50% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day of falling under the implementation criteria for the secondary measure), and the difference between the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average), or
- iii) For cases that fall under 2. (1) Criteria for outstanding margin transactions, iii), the ratio of outstanding sales to listed shares is 25% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the secondary measure), or the ratio of outstanding purchases to listed shares is 50% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day

of falling under the implementation criteria for the secondary measure).

(2) Criteria for margin transaction ratio

In the case where the difference in the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days and the stock falls under any of the following (limited to cases where the trading volume on each business day is 1,000 trading units or more):

- i) The ratio of new margin sales is 20% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is below its 25-day moving average), or
- ii) The ratio of new margin purchases is 40% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average)

(3) Criteria for turnover ratio

In the case where the difference between the price of the stock and its 25-day moving average is 20% or more on any given business day and the stock falls under any of the following:

- i) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin sales on the business day is 30% or more (limited to cases where the price of the stock on the business day is below its 25-day moving average), or
- ii) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin purchases on the business day is 60% or more (limited to cases where the price of the stock on the business day is above its 25-day moving average)

(4) Exception

For cases that do not fall under any of the criteria in (1) to (3), where the Exchange deems that measures are necessary in consideration of the margin transaction conditions and the nature of the stock.

4. Criteria for implementation of the quaternary measure

If an issue subject to the tertiary measure falls under any of the criteria specified in the following

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(1) to (4), the Exchange shall prohibit new margin sales and purchases (including proprietary sales or purchases on margin by trading participant securities companies) on and after the next business day from when the Exchange confirms that the stock falls under the criteria.

(1) Criteria for outstanding margin transactions

In the case of falling under any of the following:

- i) The ratio of outstanding sales to listed shares is 30% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the tertiary measure), and the ratio of outstanding sales to outstanding purchases is 100% or more,
- ii) The ratio of outstanding purchases to listed shares is 60% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day of falling under the implementation criteria for the tertiary measure), and the difference between the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average), or
- iii) For cases that fall under 3. (1) Criteria for outstanding margin transactions, iii), the ratio of outstanding sales to listed shares is 30% or more (limited to cases where outstanding sales have increased by 2.5% or more of the listed shares since the day of falling under the implementation criteria for the tertiary measure), or the ratio of outstanding purchases to listed shares is 60% or more (limited to cases where outstanding purchases have increased by 5% or more of the listed shares since the day of falling under the implementation criteria for the tertiary measure).

(2) Criteria for margin transaction ratio

In the case where the difference between the price of the stock and its 25-day moving average is 30% or more for 3 consecutive business days and the stock falls under any of the following (limited to cases where the trading volume on each business day is 1,000 trading units or more):

- i) The ratio of new margin sales is 20% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is below its 25-day moving average), or
- ii) The ratio of new margin purchases is 40% or more for 3 consecutive business days (limited to cases where the price of the stock on each business day is above its 25-day moving average)

(3) Criteria for turnover ratio

In the case where the difference between the price of the stock and its 25-day moving average is 20% or more on any given business day, and falling under any of the following:

- i) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin sales on the business day is 30% or more (limited to cases where the price of the stock on each business day is below its 25-day moving average), or
- ii) The trading volume on the business day is equal to or more than the number of listed shares, and the ratio of new margin purchases on the business day is 60% or more (limited to cases where the price of the stock on each business day is above its 25-day moving average)

(4) Exception

For cases that do not fall under any of the criteria in (1) to (3), where the Exchange deems that measures are necessary in consideration of the margin transaction conditions and the nature of the stock.

(Note 1) With respect to each (1) for 1. to 4., even if a stock has fallen under the criteria, where the Exchange determines that there is a need to monitor the outstanding amount, the Exchange shall be able to implement the measure after confirming that the stock falls under the criteria on the next business day.

(Note 2) With respect to each (1) for 1. to 4., even if a stock does not fall under the criteria, where the Exchange determines that the stock is expected to substantially exceed the criteria on the next business day based on the margin transaction conditions, the Exchange shall be able to apply the measure.

(Note 3) For issues subject to daily publication and issues for which the measure to raise the security deposit ratio was implemented, where the ratio of outstanding sales to listed shares is 15% or more, or the ratio of outstanding purchases to listed shares is 30% or more, the Exchange shall be able to publicize such issues as issues for which outstanding margin transactions are continuously increasing if the Exchange deems it necessary to implement the measure after considering the trading conditions, etc. of the stock.

(Note 4) With respect to each (2) i) in 1. to 4., even if the trading volume or ratio of new margin sales does not fall under the criteria, if on the auction market (i) trading is only executed at the lower limit price of the bid/offer price limits at the end of the afternoon session, or (ii) no trading is executed and the lower limit price of the bid/offer price limits is indicated as the

final special quote, the Exchange shall apply the measure by replacing the term "trading volume" with "sell order volume" and the term "ratio of new margin sales" with "ratio of new margin sell orders".

(Note 5) With respect to each (2) ii) in 1. to 4., even if the trading volume or ratio of new margin purchases does not fall under the criteria, if on the auction market (i) trading is only executed at the upper limit price of the bid/offer price limits at the end of the afternoon session, or (ii) no trading is executed and the upper limit price of the bid/offer price limits is indicated as the final special quote, the Exchange shall apply the measure by replacing the term "trading volume" with "buy order volume" and the term "ratio of new margin purchases" with "ratio of new margin buy orders".

(Note 6) With respect to each (3) in 1. to 4., during the period from the second business day from the day on which the initial price is determined to the 24th business day counting from the listing day, the Exchange shall apply the measure by replacing, in the case of (3) in 1., the term "25-day moving average on the business day" with "price of the stock on the day of falling under the criteria for designation as an issue subject to daily publication" and in the case of each (3) in 2. to 4., with "price of the stock on the day of falling under the criteria for the most recent measure" (with respect to each (3) i) in 1. to 4., limited to cases where the price of the stock on the business day is at the lower limit price of the bid/offer price limits and where the criterion under which the issue was designated as an issue subject to daily publication, or under which a measure was implemented on the issue, by the day preceding said business day is not ii) of criteria for turnover ratio; with respect to each (3) ii) in 1. to 4., limited to cases where the price of the stock on the business day is at the upper limit price of the bid/offer price limits and where the criterion under which the issue was designated as the issue subject to daily publication, or under which a measure was implemented on the issue, by the day preceding said business day is not i) of criteria for turnover ratio).

II. Details of Measure to Raise the Security Deposit Ratio, etc.

For the measure to raise the security deposit ratio, etc., the primary measure shall raise the ratio by the amounts below. Subsequent measures will further raise the ratio by the same amounts.

However, if the security deposit ratio exceeds 100% after the ratios are raised by the amounts below, the Exchange shall prohibit new margin sales and purchases (including proprietary sales or purchases on margin by trading participant securities companies) on and after the next business day from when the Exchange confirms that the stock falls under the criteria.

Security Deposit Ratio: 20%

Of the above, cash collateral: 20%

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The Exchange may change the details of the measure if it deems it necessary after considering the margin transaction conditions, nature of the stock, and the relationship with overall market conditions.

III. Criteria for Removal

The measure to raise the security deposit ratio, etc. shall be removed for an issue when it satisfies the criteria in both (1) and (2).

(1) Criteria for outstanding margin transactions

In the case of satisfying both i) and ii):

- i) The ratio of outstanding sales to listed shares is less than 12% for 5 consecutive business days, and
- ii) The ratio of outstanding purchases to listed shares is less than 24% for 5 consecutive business days

(2) Criteria for stock price

In the case where the difference in the price of the stock and its 25-day moving average is less than 15% for 5 consecutive business days

(3) Exception

Even for a case that has fallen under all the criteria in (1) and (2), if the Exchange determines that it needs to consider the margin transaction conditions or the nature of the stock for a certain period, the Exchange shall be able to continue to implement the measure for the period.

(Note 1) With respect to 2., regardless of the actual ratio, the ratio shall be deemed to be less than 15% in the following cases:

- (1) In the case where the price of the stock is above its 25-day moving average on the day of falling under the implementation criteria, if the price of the stock on each business day is below its 25-day moving average
- (2) In the case where the price of the stock is below its 25-day moving average on the day of falling under the implementation criteria, if the price of the stock on each business day is above its 25-day moving average

(Note 2) With respect to 2., during the period from the tenth business counting day from the listing day to the 24th business day, the term "25-day moving average" shall be replaced with "moving average since listing", and the ratio shall be deemed to be less than 15% in the following cases:

- (1) In the case where the price of the stock on the day of falling under the implementation

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criteria is above that of the day on which the issue most recently fell under the criteria for designation as an issue subject to daily publication, or criteria for implementation of a measure, if the price of the stock on each business day is below its moving average since listing

(2) In the case where the price of the stock on the day of falling under the implementation criteria is below that of the day on which the issue most recently fell under the criteria for designation as an issue subject to daily publication, or criteria for implementation of a measure, if the price of the stock on each business day is above its moving average since listing

(Note 3) Measures for raising the security deposit ratio, etc. on issues for which delisting has been determined may be removed.

IV. Others

- Listed securities other than stocks shall be handled in the same way as stocks. However, ETFs and ETNs shall be handled in consideration of their merchantability.
- "Price of the stock" refers to the last price (the price of the final quote, if it is indicated).
- "Trading volume" refers to volume traded on the auction market.
- "25-day moving average" refers to the average price of the stock over 25 consecutive business days (rounded off to 1 decimal place) with the last business day for the period as the base day. However, appropriate adjustments shall be made in the case of a stock split, etc.
- "Moving average since listing" refers to the average price of the stock (rounded off to 1 decimal place) over the period from the listing day to the business day that is the base day. However, appropriate adjustments shall be made in the case of a stock split, etc.
- "Ratio of new margin sales" and "ratio of new margin purchases" refer to the respective ratios of the volume (limited to those executed) of new margin sales and new margin purchases on the auction market to the trading volume.
- "Sell order volume" and "buy order volume" refer to the respective volumes of sell orders at the lower limit price of the bid/offer price limits (including market sell orders) and buy orders at the upper limit price of the bid/offer price limits (including market buy orders) at the end of the afternoon session (both limited to those on the auction market).
- "Ratio of new margin sell orders" and "ratio of new margin buy orders" refer to the respective ratios of the volume of sell orders for margin transaction at the lower limit price of the bid/offer price limits (including market sell orders) to the sell order volume and of the volume of buy orders for margin transaction at the upper limit price of the bid/offer price limits (including market buy orders) to the buy order volume, at the end of the afternoon session (both limited to

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those on the auction market).

- Outstanding sales and purchases, the ratio of new margin sales and ratio of new margin purchases, sell order volume and buy order volume, and ratio of new margin sell orders and ratio of new margin buy orders are calculated based on reports and notifications from securities companies that are trading participants. Post-fact corrections notified by securities companies that are trading participants are not considered.
- Regardless of the above I. to III., the Exchange shall be able to impose restrictions or prohibit margin sales or purchases (including proprietary sales or purchases on margin by trading participants) if it deems that measures are necessary in consideration of the margin transaction conditions.

(Effective January 10, 2023)