

# **Business Regulations**

(as of January 4, 2024)

Tokyo Stock Exchange, Inc.

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## **Chapter 1 General Provisions**

### **Rule 1. Purpose**

1. These regulations shall, pursuant to the provisions of Article 44, Paragraph 1 of the Articles of Incorporation, provide necessary matters with respect to securities trading in the Exchange market.
2. Any amendment to these regulations shall be made by resolution at the Board of Directors; provided, however, that the same shall not apply to cases where the details of the amendment is of minor significance.

### **Rule 1-2. Securities**

In these regulations (including their special regulations and rules thereunder), stocks and other securities shall mean, according to their types, stocks and other securities as prescribed in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act") and rights which are regarded as said stocks and other securities pursuant to the provisions of Paragraph 2 of the same Article.

### **Rule 1-3. Trading Participant Regulations, etc.**

1. Matters concerning trading participants of the Exchange shall be prescribed by the Trading Participant Regulations.
2. Matters concerning clearing and settlement pertaining to securities trading in the Exchange market shall be prescribed by the Clearing and Settlement Regulations.
3. Matters concerning margin transactions for securities trading in the Exchange market and transactions in which borrowing money or securities is made from the securities finance company designated by the Exchange, using the Exchange's settlement institution, for the purpose of settlement of securities trading in the Exchange market shall be prescribed by the Regulations Regarding Margin Transactions and Loans for Margin Transactions.
4. Matters concerning listing of securities, listing supervision, delisting and other matters concerning listed securities shall be prescribed by the Securities Listing Regulations.

## **Chapter 2**

### **Trading Sessions**

#### **Rule 2. Division of Trading Session and Trading Hours**

1. Trading sessions at the Exchange shall be divided into a morning trading session and an afternoon trading session, and trading hours for each trading session shall, in accordance with the types of securities referred to in each of the following items, be as prescribed in each of such items:
  - (1) Stocks (including subscription warrant securities, equity contribution securities (meaning securities referred to in Article 2, Paragraph 1, Item (6) of the Act; the same shall apply hereinafter), preferred equity contribution securities (meaning preferred equity contribution securities issued by cooperative structured financial institutions; the same shall apply hereinafter), investment trust beneficiary certificates (meaning a beneficiary certificate of investment trusts; the same shall apply hereinafter), investment securities, new investment unit subscription warrant securities, foreign investment securities, foreign stock depositary receipts (meaning depositary receipts representing a right pertaining to a stock issued by a foreign company; the same shall apply hereinafter), beneficiary certificates of a beneficiary certificate issuing trust (limited to domestic commodity trust beneficiary certificates (meaning beneficiary certificates of a beneficiary certificate issuing trust which aims to track the price of a specified commodity (meaning a commodity prescribed in Article 2, Paragraph 1 of the Commodity Derivatives Act (Act No. 239 of 1950) and has trust assets mainly comprised of such specified commodity; the same shall apply hereinafter) or foreign securities trust beneficiary certificates (meaning, out of beneficiary certificates of a beneficiary certificate issuing trust, beneficiary certificates whose trust assets are stocks issued by a foreign corporation(s)), ETNs (meaning, out of securities issued overseas by a domestic corporation, those referred to in Article 2, Paragraph 1, Item (5) or, out of securities issued overseas by a foreign corporation, those which have characteristics of securities referred to in Item (5) of the same paragraph of the Act and whose redemption value are aimed to track a specific indicator (meaning indicators such as quotations on a financial instruments market; the same shall apply hereinafter); the same shall apply hereinafter), foreign investment trust beneficiary certificates, foreign investment securities, or beneficiary certificates of a foreign beneficiary certificate issuing trust

(meaning securities or certificates issued by a foreign corporation which have the characteristics of beneficiary certificates of a beneficiary certificate issuing trust; the same shall apply hereinafter); the same shall apply hereinafter), and beneficiary certificates of a foreign beneficiary certificate issuing trust; the same shall apply hereinafter except Paragraph 1 of Rule 9, and Rules 66 (excluding Items (14) and (67)) (excluding securities referred to in the following item.):

The morning trading session shall be held from 9:00 a.m. to 11:30 a.m. and the afternoon trading session shall be held from 0:30 p.m. to 3:00 p.m.

- (2) Out of newly listed stocks issued by domestic corporations (excluding issues which are listed or continuously traded on the Exchange, any other financial instruments exchange in Japan, a financial instruments exchange in a foreign country, or an organized over-the-counter market), issues which are specified by the Exchange (limited to cases up to the day on which the initial contract price after listing (hereinafter referred to as "initial price")).

There shall be no morning trading session, and the afternoon trading session shall be held during a time predetermined by the Exchange that is between 12:30 pm and 3:00 pm.

- (3) Bonds (excluding convertible bonds meaning corporate bonds with subscription warrants where the object of the investment at the time of an exercise of a subscription warrant is the corporate bonds pertaining to such corporate bonds with subscription warrant; the same shall apply hereinafter) and exchangeable corporate bonds (meaning a security referred to in Article 2, Paragraph 1, Item (5) of the Act or a security with the characteristics of the security referred to in Item (5) of the same paragraph, out of the securities referred to in Item (17) of the same paragraph (hereinafter referred to as "corporate bonds" in this item), which shall be redeemed in the form of a stock of a specified company other than an issuer per a claim made by corporate bond holder; the same shall apply hereinafter); the same shall apply hereinafter):

No morning trading session shall be held, and the afternoon trading session shall be held from 0:30 p.m. to 3:00 p.m.

However, with respect to government bonds, no morning trading session shall be held, and the afternoon trading session shall be held from 0:30 p.m. to 2:00 p.m.

- (4) Convertible bonds and exchangeable corporate bonds:

The morning trading session shall be conducted from 9:00 a.m. to 11:30 a.m. and the afternoon trading session shall be from 0:30 p.m. to 3:00 p.m.

2. The Exchange may temporarily change trading hours specified in the preceding paragraph, when it deems this necessary. In this case, the Exchange shall notify trading participants to that effect.

### **Rule 3. Non-business days**

1. The Exchange shall be closed on the days referred to in each of the following items:

- (1) Sundays;
- (2) National holidays;
- (3) If a national holiday falls on Sunday, the first non-national holiday after that national holiday;

- (4) The day between two national holidays;
  - (5) Saturdays;
  - (6) The first three (3) days of the year; and
  - (7) December 31<sup>st</sup>.
2. The Exchange may declare temporary non-business days, when it deems this necessary.
3. Neither trading sessions nor any other business of the Exchange shall be conducted on a non-business day.

#### **Rule 4. Temporary Halt and Temporary Conducting of Trading Session**

The Exchange may temporarily halt a trading session in whole or in part or temporarily conduct an additional trading session in whole or in part, when it deems this necessary.

#### **Rule 5. Notice of Temporary Halt or Temporary Conducting of Trading Session**

When the Exchange declares a temporary non-business day, temporary halt of a trading session or temporary conducting of an additional trading session, it shall give advance notice to that effect to trading participants.

#### **Rule 6. Transactions During Trading Sessions**

Transactions during trading sessions shall be effected through trading systems using computers, etc. set up by the Exchange (hereinafter referred to as the "trading systems"); provided, however, that the same shall not apply to transactions that the Exchange specifies as those not effected through the trading systems (hereinafter referred to as "non-trading system transactions").

Rules 7 and 8. Deleted.

### **Chapter 3 Trading During Trading Sessions**

#### **Section 1 Types of Transactions**

#### **Rule 9. Types of Transactions**

1. The types of transactions effected during trading sessions shall be, in accordance with the types of securities referred to in each of the following items, transactions prescribed in each of such items:
- (1) Stock issued by a domestic corporation (including a preferred equity contribution security; the same shall apply hereinafter):
    - a. Cash transactions;
    - b. Regular transactions; and
    - c. When-issued transactions
  - (1)-2 Subscription warrant security issued by a domestic corporation
    - a. Cash transactions;
    - b. Regular transactions.
  - (1)-3 Equity contribution securities
    - a. Cash transactions

- b. Regular transactions
  - (2) Stock issued by a foreign corporation (including a subscription warrant security issued by a foreign corporation, a foreign stock depositary receipt, a foreign securities trust beneficiary certificate (excluding those whose trust assets are ETNs issued by a domestic corporation), and a beneficiary certificate of a foreign beneficiary certificate issuing trust):
    - a. Cash transactions; and
    - b. Regular transactions.
  - (3) Investment trust beneficiary certificate (excluding securities investment trust beneficiary certificates as prescribed in Item (4)):
    - a. Cash transactions;
    - b. Regular transactions; and
    - c. When-issued transactions.
  - (3)-2 Investment security and new investment unit subscription warrant security:
    - a. Cash transactions;
    - b. Regular transactions.
  - (4) Securities investment trust beneficiary certificate (meaning a beneficiary certificate of an investment trust as prescribed in Article 2, Paragraph 1, Item (10) of the Act that is related to an investment trust whose purpose is investing its investment trust assets mainly in securities, rights connected to derivatives and commodities, or rights pertaining to transactions related to commodities investment (meaning transactions related to commodities investment, etc. as prescribed in Article 3, Item (10) of the Enforcement Order of the Investment Trust Act; the same shall apply hereinafter); the same shall apply hereinafter), a foreign investment trust beneficiary certificate, a foreign investment security, a foreign securities trust beneficiary certificate (limited to one whose trust assets are ETNs issued by a domestic corporation), and a domestic commodity trust beneficiary certificate:
    - a. Cash transactions; and
    - b. Regular transactions.
  - (5) Bonds, convertible bonds and exchangeable corporate bonds:
    - a. Cash transactions; and
    - b. Regular transactions.
2. Cash transactions shall be settled on the day the trading contract was concluded.
3. Regular transactions shall be settled on the third day (excluding non-business days; the same shall apply hereinafter in the calculation of the number of days) counting from the day the trading contract was concluded; provided, however, that transactions on the day referred to in each of the following items shall be settled on the fourth day counting from the day such contract was concluded:
- (1) A date of equity contribution securities specified as ex-dividend or ex-rights in accordance with the provisions of Paragraph 1 of Rule 25
  - (2) A date of a change in exercise terms (including a break in the exercise period; the same shall apply hereinafter) for a convertible bond; and a date of a change in exchange terms (meaning redemption terms pertaining to redemption by a stock; the same shall apply hereinafter) (including a break in the exchange request period; the same shall apply hereinafter) for an exchangeable corporate bond.

- (3) Dates specified by the provisions of Rule 26-2 as ex-rights dates pertaining to claims for redemption before maturity for convertible bonds and exchangeable corporate bonds.
  - (4) A day which is three (3) days (excluding non-business days; the same shall apply hereinafter in the calculation of the number of days) prior to the interest payment day (where the interest payment day falls on a bank holiday or an overseas holiday as prescribed in the issue conditions for the relevant security, and a coupon is paid before the coupon payment day, the day on which such coupon is paid; the same shall apply hereinafter) with respect to interest-bearing bonds, interest-bearing convertible bonds excluding convertible bonds that are not handled by Japan Securities Depository Center, Inc. (hereinafter referred to as "JASDEC") in its book-entry transfer operations (hereinafter referred to as "JASDEC non-eligible convertible bonds")), and interest-bearing exchangeable corporate bonds.
- 4. Notwithstanding the provisions of the preceding three (3) paragraphs, the type of transactions of government bonds shall be a regular transaction, and such transactions shall be settled on the second day counting from the day the trading contract was concluded.
  - 5. Notwithstanding the provisions of Paragraph 3, where a day (bring forward a day sequentially if it falls on a non-business day; the same shall apply hereinafter) immediately preceding a day referred to in each of the following items falls on a day immediately preceding an interest payment day in a regular transaction of an interest-bearing convertible bond (excluding JASDEC non-eligible convertible bonds and interest-bearing exchangeable corporate bonds, a transaction effected on a day specified in Item (2) or Item (3) of the same paragraph shall be settled on the fifth day counting from the day when such contract was concluded, and a transaction effected on the day immediately following such day (push back a day sequentially if it falls on a non-business day; the same shall apply hereinafter) shall be settled on the fourth day counting from the day such contract was concluded:
    - (1) The day immediately preceding the day on which exercise terms are revised as specified by an issuer of a convertible bond or on which exchange terms are revised as specified by an issuer of an exchangeable corporate bond; and
    - (2) The final day (bring forward a day sequentially if the day falls on a non-business day) of the period of claiming for redemption before maturity.
  - 6. Notwithstanding the provisions of Paragraph 3, where a day immediately following a day referred to in each of the following items falls on a day immediately preceding a coupon payment day in a regular transaction of an interest-bearing convertible (excluding JASDEC non-eligible convertible bonds) and interest-bearing exchangeable corporate bonds, a transaction effected on a day specified in Item (2) or Item (3) of Paragraph 3 shall be settled on the fifth day counting from the day such contract was concluded.
  - 7. When-issued transactions shall be carried out for a period from a day specified as an ex-rights date pursuant to the provisions of Rule 25, Paragraph 1 with respect to shares newly issued by a shareholder allotment (including an allotment to holders of preferred equity investment securities as well as an allotment to beneficiaries) carried out by an issuer of stock issued by a domestic corporation and investment trust beneficiary certificate to a day specified by the Exchange, and settlement shall be made on the third day counting from the final day of the transactions; provided, however, that, if the Exchange deems it necessary, the Exchange may change the commencement day of the transactions to a day which is a day after a day specified as an ex-rights date pursuant to the provisions of Rule 25, Paragraph 1.

## **Section 2**

### **Methods for Executing Transactions**

#### **Rule 10. Principle of Auction**

1. Transactions during trading sessions shall be effected by auction.
2. Precedence of bids and offers in an auction shall be as prescribed in each of the following items:
  - (1) A lower offer shall have precedence over higher offers, and a higher bid shall have precedence over lower bids;
  - (2) Where two or more bids or offers are made at the same price, precedence shall be as prescribed in the following:
    - a. Precedence shall be determined in the order of the time at which such bids or offers were made; i.e., an earlier bid or offer shall have precedence over later bids or offers; and
    - b. When such bids or offers are made simultaneously or when there is a difficulty in determining the order of the time at which such bids or offers were made, precedence shall be determined by the Exchange; and
  - (3) Market orders shall have precedence over bids and offers other than those of market orders in terms of price. All market orders shall be on parity with each other.
3. All bids and offers made prior to determination of an opening price and all bids and offers made prior to determination of an initial price following resumption of trading of a particular issue whose trading was temporarily halted by the Exchange shall be deemed to have been made simultaneously.
4. When a closing price for an afternoon trading session is determined at a price limit as defined in Rule 14, Paragraph 5, all remaining market orders shall be deemed to be limit orders to buy or sell at the said price. In this instance, all bids and offers at the said price shall be deemed to have been made simultaneously.
5. The provisions of the preceding paragraph shall not apply to an issue specified by the Exchange as prescribed in Rule 2, Paragraph 1, Item (2), until the initial price of the said issue is determined.
6. The provisions of the Paragraph 2, Item (2), Sub-item b., as well as Paragraphs 3 and 4 shall not apply to bonds.

Rule 11. Deleted.

#### **Rule 12. Individual Auction**

1. Transactions by auction prescribed in Rule 10, Paragraph 1 shall be carried out on an individual auction basis.
2. Prices of transactions on an individual auction basis shall be determined by matching the lowest sell quote and the highest buy quote through competition among sell quotes, competition among buy quotes and competitive matching of buy quotes and sell quotes, excluding cases where prices referred to in each of the following items are determined, and transactions shall be effected between corresponding buy quotes and sell quotes in accordance with the precedence of buy quotes and sell quotes as prescribed in Rule 10,

Paragraph 2:

- (1) Opening price;
  - (2) Initial price after resumption of trading of a particular issue whose trading was temporarily halted by the Exchange;
  - (3) Closing price; and
  - (4) In addition to each of the above items, prices in which a special quote is displayed as prescribed by the Exchange, and prices that the Exchange deems necessary in consideration of the status of bids and offers.
3. In determining prices prescribed in each item of the preceding paragraph, transactions shall be effected at a price, at which the total volume of sell quotes and the total volume of buy quotes referred to in each of the following items match through competition among sell quotes, competition among buy quotes and competitive matching of buy quotes and sell quotes, between corresponding buy quotes and sell quotes in accordance with the precedence of buy quotes and sell quotes as prescribed in Rule 10, Paragraph 2:
- (1) Total volume of all market orders;
  - (2) Total volume of all sell quotes lower than such prices and that of all buy quotes higher than such prices; and
  - (3) The following volume of bids and offers at such prices (or the volume referred to in Sub-item a. in cases of stocks, convertible bonds and exchangeable corporate bonds):
    - a. Total volume of either buy quotes or sell quotes; and
    - b. Volume of the opposing orders as determined by the Exchange.
4. Notwithstanding the provisions of the previous two paragraphs, with respect to issues specified by the Exchange as prescribed in Rule 2, Paragraph 1, Item (2), until the day on which the initial price is determined, transactions shall be effected at a time predetermined by the Exchange as prescribed in the same item, at a price at which the total volume of sell quotes and the total volume of buy quotes referred to in each of the following items match through competition among sell quotes, competition among buy quotes, and competitive matching of buy quotes and sell quotes, between corresponding buy quotes and sell quotes in accordance with the precedence of buy quotes and sell quotes as prescribed in Rule 10, Paragraph 2.
- (1) Total volume of all market orders;
  - (2) Total volume of all sell quotes lower than such price and buy quotes higher than such price; and
  - (3) For bids and offers at such price, the total volume of either buy quotes or sell quotes.
5. In determining prices in each item of Paragraph 2 pertaining to a bond transaction (excluding cases where a transaction is effected pursuant to the provisions of Paragraph 3), if the total volume of sell quotes and that of buy quotes referred to in each item of Paragraph 3 (excluding Item (3), Sub-item b.) match at a price through competition of sell quotes, competition of buy quotes and competitive matching of buy quotes and sell quotes, such prices shall be the prices effected, and transactions shall be effected at a price corresponding to each other among bids and sell quotes in accordance with the precedence of bids and offers in Rule 10, Paragraph 2.
6. In the event that there are two or more prices at which the total volume of sell quotes matches the total volume of buy quotes as prescribed in the preceding three (3) paragraphs, if one of these prices is identical to the last execution price, the price shall be effected at such price. If



such price does not exist, the price closest to the last execution price shall be effected; provided, however, that the Exchange shall determine the price on a case-by-case basis, where the Exchange deems it inappropriate to use the last price.

7. Notwithstanding the provisions of Paragraphs 3 and 5, no transaction shall be effected when the price prescribed in Paragraph 2, Item (3) exceeds a price limit determined by the Exchange based on the last sale price (or a special quote if such quote is posted as prescribed by the Exchange).

### **Rule 13. Cancellation of Transactions**

1. Where a transaction is effected because of an erroneous order, if it is extremely difficult to conduct the settlement and the Exchange deems that the market is likely to be confused, the Exchange may cancel the transaction specified by the Exchange as prescribed by the Exchange.
2. Where transaction records in the Exchange's systems are lost due to unavoidable reasons, including act of providence, if the Exchange deems it difficult to restore all the lost records, the Exchange may cancel transactions which it designates on a case-by-case basis.
3. Where the Exchange cancels a transaction pursuant to the provisions of Paragraph 1 or the preceding paragraph, such transaction shall be deemed as if it were never effected at all.
4. Even where a trading participant suffers damage because the Exchange cancels a transaction pursuant to the provisions of Paragraph 1, the trading participant shall be unable to claim for compensation for the damage against the trading participant which has placed an erroneous order; provided, however, that the same shall not apply to cases where deliberate action or gross negligence is deemed to have been seen in a trading participant.
5. Where a trading participant suffers damage because the Exchange cancels a transaction pursuant to the provisions of Paragraph 1 or Paragraph 2, the trading participant shall be unable to claim for compensation for the damage against the Exchange; provided, however, that the same shall not apply to cases where deliberate action or gross negligence is deemed to have been seen in the Exchange.

## **Section 3** **Bids/Offers, Trading Units, etc.**

### **Rule 14. Bids and Offers**

1. If a trading participant intends to execute a transaction in a trading session, it must make a bid or an offer. In this case, the trading participant must disclose to the Exchange matters referred to in each of the following items:
  - (1) Whether the bid or offer is based on agency or principal;
  - (2) If the trading participant intends to execute a short sale (meaning a short sale defined in Article 26-2-2, Paragraph 1 of the Enforcement Ordinance of the Financial Instruments and Exchange Act (the Cabinet Order No.321 of 1965; hereinafter referred to as the "Enforcement Ordinance")), disclosure of that fact excluding transactions prescribed in Article 11, Paragraph 1 of the Cabinet Office Ordinance Concerning Restriction on Transactions, etc. in Securities (the Cabinet Office Ordinance No.59 of 2007; hereinafter referred to as the "Transaction Restriction Ordinance");
  - (3) If the trading participant intends to make a trade through a margin transaction (including

- cases where the customer is acting as an agent (meaning the customer, where the customer entrusting a trade in a security to the trading participant is a financial instruments business operator, and such entrustment is for a trade through an agency for entrustment of a trade in a security to a trading participant; the same shall apply hereinafter) and accepts the agency entrustment for a trade pertaining to the margin transaction), disclosure of that fact;
- (4) If the trading participant intends to make a trade for reimbursing money or a security borrowed through margin transactions (including cases where the customer accepts the trading entrustment for reimbursement of money or a security borrowed for margin transactions if the customer is an agent), disclosure of that fact;
  - (5) If the trading participant intends to make a trade through a proprietary sale or purchase on margin, disclosure of that fact;
  - (6) If the trading participant intends to make a trade to offset its proprietary long or short margin position, disclosure of that fact; and
  - (7) If the bid or offer is made for low latency trading (meaning low latency trading prescribed in Article 2, Paragraph 41 of the Act; the same shall apply hereinafter), disclosure of that fact.
2. The bid or offer described in the preceding paragraph shall be made as prescribed in each of the following items:
- (1) Trading through trading systems:  
The bid or offer shall be made by inputting it from the trading participant's terminal; and
  - (2) Trading other than through trading systems:  
The bid or offer shall be made in a method deemed appropriate by the Exchange.
3. The tick size shall be determined as prescribed in each of the following items:
- (1) Stocks (excluding equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, foreign investment trust beneficiary certificates, investment securities, new investment unit subscription warrant securities, foreign investment securities, foreign stock depositary receipts, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust);  
The tick size of the above stocks shall be as prescribed in the following a. and b. in accordance with the types of securities referred to in said a. and b.; provided, however, that if the Exchange deems it necessary to lower the increment for a specifically designated issue, the increment shall be lowered accordingly;
    - a. Stocks (excluding stocks referred to in the following b.)
      - 1 yen when the price is 3,000 yen or less per share (in cases of a subscription warrant security, one (1) subscription warrant shall be considered one (1) share; the same shall apply hereinafter); 5 yen when the price is more than 3,000 yen but 5,000 yen or less per share; 10 yen when the price is more than 5,000 yen but 30,000 yen or less per share; 50 yen when the price is more than 30,000 yen but 50,000 yen or less per share; 100 yen when the price is more than 50,000 yen but 300,000 yen or less per share; 500 yen when the price is more than 300,000 yen but 500,000 yen or less per share; 1,000 yen when the price is more than 500,000 yen but 3 million yen or less per share; 5,000 yen when the price is more than 3 million yen but 5 million yen or less per share; 10,000 yen when the price is more than 5 million yen but 30 million yen or less per share; 50,000 yen

when the price is more than 30 million yen but 50 million yen or less per share; and 100,000 yen when the price is more than 50 million yen per share;

- b. Constituents (excluding when-issued transactions and stocks whose price per trading unit is less than one (1) yen) of TOPIX 500 (meaning the tradable share market capitalization-weighted stock price index calculated by JPX Market Innovation & Research, Inc. (hereinafter "JPXI"), which consists of five hundred (500) stocks selected by JPXI)

0.1 yen when the price is 1,000 yen or less per share; 0.5 yen when the price is more than 1,000 yen but 3,000 yen or less per share; 1 yen when the price is more than 3,000 yen but 10,000 yen or less per share; 5 yen when the price is more than 10,000 yen but 30,000 yen or less per share; 10 yen when the price is more than 30,000 yen but 100,000 yen or less per share; 50 yen when the price is more than 100,000 yen but 300,000 yen or less per share; 100 yen when the price is more than 300,000 yen but 1 million yen or less per share; 500 yen when the price is more than 1 million yen but 3 million yen or less per share; 1,000 yen when the price is more than 3 million yen but 10 million yen or less per share; 5,000 yen when the price is more than 10 million yen but 30 million yen or less per share; 10,000 yen when the price is more than 30 million yen per share.

- (2) Equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, foreign investment trust beneficiary certificates, investment securities, new investment unit subscription warrant securities, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust (as regarding investment trust beneficiary certificates, foreign investment trust beneficiary certificates, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust, excluding those referred to in the following item. The same shall apply hereinafter in this item):

The provisions of a. of the preceding item (excluding the part pertaining to a subscription warrant security) shall apply mutatis mutandis to equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, foreign investment trust beneficiary certificates, investment securities, new investment unit subscription warrant securities, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust. In this instance, the term "per share" shall be deemed to be replaced with "per unit (in the case of new investment unit subscription warrant securities, one (1) subscription shall be deemed as one (1) lot, and in the case of foreign investment securities similar to investment corporation bonds, one (1) security shall be deemed as one (1) lot)";

- (2)-2 Investment trust beneficiary certificates, foreign investment trust beneficiary certificates, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust (limited to those the Exchange deems capable of maintaining price per trading unit above the monetary unit of yen to facilitate a smooth settlement. The same shall apply hereinafter in this item.)

The provisions of Item (1), b. shall apply mutatis mutandis to investment trust beneficiary certificates, foreign investment trust beneficiary certificates, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary certificate issuing trust. In this instance, the term "per share" shall be deemed to be replaced with "per unit (in the case of foreign investment securities similar to investment corporation bonds, one (1) security shall be deemed as one (1) lot.)"

(3) Foreign stock depositary receipts:

The provisions of Item (1), a, (excluding the part pertaining to a subscription warrant security) shall apply to foreign stock depositary receipts. In this case, the term "per share" shall be deemed to be replaced with "per depositary receipt";

(4) For bonds, 1/100 yen per 100 yen of the amount of each bond (hereinafter referred to as a "face value");

(5) For convertible bonds and exchangeable corporate bonds, 5/100 yen per face value of 100 yen

4. Bids and offers shall be made cum-dividend (see Note below) for stocks; flat quotation for interest-bearing bonds, interest-bearing convertible bonds and interest-bearing exchangeable corporate bonds; and cum-interest for bonds other than interest-bearing convertible bonds, convertible bonds other than interest-bearing convertible bonds and exchangeable corporate bonds other than interest-bearing exchangeable corporate bonds.

(Note) Dividends (meaning dividends from surplus) include income distribution pertaining to investment trust beneficiary certificates and foreign investment trust beneficiary certificates, money distribution pertaining to investment securities and foreign investment securities, and benefits pertaining to trust assets of beneficiary certificates of beneficiary certificate-issuing trusts and beneficiary certificates of foreign beneficiary certificate-issuing trusts: the same shall apply hereinafter.

5. Bids and offers shall not be made at prices exceeding the price limit defined by the Exchange in accordance with regulations; provided, however, that the same shall not apply to bids and offers for bonds except where the Exchange sets a limit to the range of price fluctuation, where the Exchange deems that such limit is particularly necessary.

6. For bids and offers for cash transactions, the same trading participant shall make a sell quote and a matching buy quote simultaneously.

7. The Exchange shall publicize bids and offers when it deems such publication necessary for facilitating trade executions.

8. In addition to these regulations, the necessary matters pertaining to bids and offers shall be prescribed by the Exchange in accordance with regulations.

## Rule 15. Trading Units

Trading units shall be as prescribed in each of the following items in accordance with the types of securities referred to in each of the following items:

(1) Stocks (excluding equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, foreign investment trust beneficiary certificates, investment securities, new investment unit subscription warrant securities, foreign investment securities, foreign stock depositary receipts, beneficiary certificates of a beneficiary certificate issuing trust, and beneficiary certificates of a foreign beneficiary

certificate issuing trust);

- a. For domestic stocks (meaning stocks and subscription warrant securities issued by domestic corporations; the same shall apply hereinafter in this a) , if a listed company (meaning an issuer of a stock (excluding investment trust beneficiary certificates, etc.) listed on the Exchange; the same shall apply hereinafter) has set a certain number of shares as one (1) Share Unit (meaning the number of shares constituting one (1) Share Unit prescribed in Article 2, Item (20) of the Companies Act (Act No. 86 of 2005), that number of shares; and if not, one (1) share; provided, however, that stocks referred to in the following (a) to (c) shall be as specified in such (a) to (c);

- (a) Stock for which the listed company implements a reverse split, etc. (meaning a reverse stock split, gratis allotment of shares (limited to gratis allotment of the same class of shares as the listed shares), or stock split; the same shall apply hereinafter) which accompany a change, etc. of the number of shares per Share Unit (meaning a change in the number of shares per Share Unit or inclusion of a provision in the articles of incorporation with regard to the number of shares per Share Unit;

For a day two (2) days prior to the effective date of such reverse split, etc. and a day before the effective date of such reverse split, etc., it shall be the number of shares per Share Unit after the effective date of such reverse split, etc.

- (b) Stocks in cases where multiple classes of domestic stocks issued by the same listed company; and

Trading units of the multiple classes of domestic stocks shall be the same.

- (c) Stocks that the Exchange particularly designates.

It shall be as specified by the Exchange.

- b. For stocks issued by foreign corporations and subscription warrant securities issued by foreign corporations, 1,000 shares, 500 shares, 100 shares, 50 shares, 10 shares or one share based on market prices in accordance with the rules prescribed by the Exchange;

- (1)-2 For equity contribution securities, one hundred (100) units;

- (2) For preferred equity contribution securities, investment trust beneficiary certificates, investment securities, new investment unit subscription warrant securities, and domestic commodity trust beneficiary certificates, one (1) lot (in the case of new investment unit subscription warrant securities, one warrant shall be one (1) lot); provided, however, that the trading unit shall be determined by the Exchange on a case-by-case basis with respect to securities especially designated by the Exchange;

- (3) Foreign investment trust beneficiary certificates, foreign investment securities, foreign securities trust beneficiary certificates, and beneficiary certificates of a foreign beneficiary certificate issuing trust;

The provisions of Item (1), Sub-item b. shall apply mutatis mutandis to foreign investment trust beneficiary certificates, foreign investment securities, foreign securities trust beneficiary certificates, and beneficiary certificates of a foreign beneficiary certificate issuing trust. In this case, the term "1,000 shares" shall be deemed to be replaced with "1,000 lots (In the case of foreign investment securities similar to investment corporation bonds, one (1) security shall be deemed to be one (1) lot; the same shall apply in this item)," "500 shares" with "500 lots," "100 shares" with "100 lots," "50 shares" with "50 lots," "10 shares" with "10 lots" and "one (1) share" with "one (1) lot," respectively;

(4) Foreign stock depositary receipts:

The provisions of Item (1), Sub-item b. shall apply mutatis mutandis to foreign stock depositary receipts. In this case, the term "1,000 shares" shall be deemed to be replaced with "1,000 depositary receipts," "500 shares" with "500 depositary receipts," "100 shares" with "100 depositary receipts," "50 shares" with "50 depositary receipts," "10 shares" with "10 depositary receipts" and "one (1) share" with "one (1) depositary receipt," respectively;

(5) Bonds:

a. For bonds (excluding government bonds), 10 million-yen face value, one (1) million-yen face value or 100,000-yen face value as prescribed by the Exchange; and

b. For government bonds, 50,000-yen face value;

(6) For convertible bonds and exchangeable corporate bonds, 5 million-yen face value, 4 million-yen face value, 3 million-yen face value, 2 million-yen face value, one (1) million-yen face value, 500,000-yen face value, or 100,000-yen face value as prescribed by the Exchange.

**Rule 16. Base Prices with Short Selling Price Restriction**

1. The price specified by the Exchange in accordance with the provisions of Article 12, Paragraph 5 of the Transaction Restriction Ordinance (hereinafter referred to as "base price") shall be as prescribed in the provisions of each of the following items in accordance with the types of securities referred to in each of the following items.

(1) Domestic stocks (meaning stocks, subscription warrant securities, equity contribution securities, investment trust beneficiary certificates, investment securities, and new investment unit subscription warrant securities issued by domestic corporations; the same shall apply hereinafter in this paragraph), and domestic commodity trust beneficiary certificates:

The price prescribed in each of the following Sub-items a. and b. in accordance with the types of securities referred to in said sub-items; provided, however, that on ex-dividend dates, etc. (meaning ex-dividend dates, etc., prescribed in Rule 25, Paragraph 1; the same shall apply hereinafter in this paragraph), the first day of trading a stock after a reverse stock split prescribed in Rule 25-2, and dates for changing acquisition value provided in Rule 26, the price shall be computed based on the method in the schedule "Computation of Base Prices with Short Selling Price Restriction on Ex-dividend Dates, etc."

a. Where there is an execution price (including cases where a special quote is displayed as prescribed by the Exchange) on the previous day, the closing price of such issue on the previous day (where a special quote is displayed as prescribed by the Exchange, such final special quote; the same shall apply hereinafter in this paragraph).

b. In cases other than the preceding Sub-item a. or other cases where the Exchange deems it inappropriate to apply the closing price prescribed therein, the Exchange shall determine the price on a case-by-case basis.

(2) Foreign stocks (meaning stocks issued by foreign corporations (including subscription warrant securities issued by foreign corporations as well as foreign stock depositary receipts, foreign securities trust beneficiary certificates, and beneficiary certificates of foreign beneficiary certificate-issuing trust), foreign investment trust beneficiary certificates, and foreign investment securities; the same shall apply hereinafter):

a. Multiply-listed foreign issues (meaning (i) a foreign stock listed or continuously traded on

a financial instruments exchange or organized over-the-counter market in a foreign country (hereinafter referred to as "foreign financial instruments exchange, etc."), (ii) a foreign stock whose foreign stock depository receipts representing rights to the stock are listed or continuously traded on a foreign financial instruments exchange, etc., (iii) a foreign stock depository receipt whose underlying stock pertaining to the represented rights are listed or continuously traded on a foreign financial instruments exchange, etc., and (iv) beneficiary certificates of a beneficiary certificate issuing trust pertaining to a foreign stock trust asset or foreign stock depository receipts representing rights to such foreign stock trust asset or an ETN trust asset, listed or continuously traded on a foreign financial instruments exchange, etc.:

- (a) The last (meaning at the point of time immediately after the last session at the Exchange as deemed appropriate by the Exchange) price or quote of the foreign stock (hereinafter referred to as "foreign market price") in the foreign financial instruments exchange, etc. where it is principally traded converted into yen using the middle rate (meaning the middle rate between a TTS rate and a TTB rate quoted in the Tokyo Foreign Exchange Market; the same shall apply in this paragraph). Where there is no foreign market price, where it is difficult for the Exchange to confirm it, or where the Exchange deems it inappropriate to refer to the foreign market price or convert it into yen at the middle rate due to significant fluctuations, etc. in the foreign exchange market, the base price shall be computed by the Exchange on a case-by-case basis; provided, however, that in the cases referred to below, the base price shall be computed based on the method in the schedule "Computation of Base Prices with Short Selling Price Restriction on Ex-dividend Dates, etc."
  - i. In cases where the price referenced from the foreign market from or before the day immediately prior to its ex-dividend date, etc. is a result of ex-dividend or ex-rights trading
  - ii. In cases where the price referenced from the foreign market on or after the day immediately after its ex-dividend date, etc. is not a result of ex-dividend or ex-rights trading
  - iii. In cases where trading of the issue in the referenced foreign markets reflected the new number of shares displayed before the day immediately preceding the day of changing to such new number of shares (meaning the date of changing the number of shares displayed prescribed in the provisions of Rule 26; the same shall apply hereinafter), or in cases where the trading of shares in the referenced foreign markets was conducted without reflecting the new number of shares displayed on or after the day of changing to the new number of shares (excluding cases where a change to the new number of shares displayed is the result of a stock split, reverse stock split or dividend distribution pertaining to a change in the stock.)
- (b) Notwithstanding the provisions of preceding (a), where the Exchange deems it inappropriate to apply the middle rate of a quote in foreign markets converted into yen as a base price due to its trading conditions at the Exchange, etc., the provisions of the preceding item shall apply. In this case, the provision "or other cases where the Exchange deems it inappropriate to apply the closing price prescribed therein" in Sub-item b. of said item shall be deemed to be replaced with "in cases where the base price is determined on the day of changing the number of shares displayed, or other cases where the Exchange deems it inappropriate to apply the closing price prescribed therein".

b. Issues other than those in the preceding Sub-item a.:

The provisions of the preceding item shall apply mutatis mutandis. In this case, the

provisions in Sub-item b. of said item "or other cases where the Exchange deems it inappropriate to apply the closing price prescribed therein" shall be deemed to be replaced with "in cases where the base price is determined on the change date of number of shares displayed or other cases where the Exchange deems it inappropriate to apply the closing price prescribed therein".

(3) Bonds:

Trading Reference Statistical Data published by Japan Securities Dealers Association shall apply; provided, however, that where such data is not published by said Association or the Exchange deems it inappropriate to apply such data, the Exchange shall determine the price on a case-by-case basis.

(4) Convertible bonds:

- a. For convertible bonds issued by domestic companies, the provisions of the main clause of Item (1) shall apply mutatis mutandis; provided, however, that the Exchange shall determine the base price on a case-by-case basis; for dates for changing exercise conditions prescribed in Rule 26; and ex-rights dates pertaining to claims for redemption before ex-rights (the dates on which redemption before maturity are traded as ex-rights with respect to such claims, as provided in Rule 26-2; the same shall apply hereinafter in this paragraph).

- b. For convertible bonds issued by foreign corporations (hereinafter referred to as "foreign convertible bonds"):

The computed amount obtained by multiplying the theoretical price ( $100 \times (\text{base price of the listed stocks subject to the exercise of said foreign convertible bonds pertaining to issuance}) / (\text{Price of said convertible bonds, which is converted into yen using the fixed exchange rate for said convertible bonds})$  (meaning the issue price of the shares to be issued upon warrant exercise) by the amount adding one (1) to the deviation rate on the immediately preceding day where the final price of said convertible bond is available (fractions less than the price increment of bids or offers shall be rounded up); provided, however, where the exchange deems it inappropriate to apply such price, the Exchange shall determine the price on a case-by-case basis.

(5) Exchangeable corporate bonds:

As prescribed in the following Sub-items a. and b., in accordance with the classification referred to in each of the following Sub-items a. and b.; provided, however, the base price of the date of changing exchange conditions or the ex-rights dates pertaining to claims for redemption before maturity prescribed in Rule 26 shall be prescribed by the Exchange on a case-by-case basis.

- a. For exchangeable corporate bonds whose underlying are domestic stocks:

The provisions of the main clause of Item (1) shall apply mutatis mutandis.

- b. For exchangeable corporate bonds whose underlying are foreign stocks:

The Exchange shall consider the middle rate of the quote of the stock in the foreign financial instruments market converted into yen and determine the price on a case-by-case basis.

2. Notwithstanding the provisions of Item (1) and Item (2), Sub-item b. of the preceding paragraph, out of stocks (excluding issues listed or continuously traded on the Exchange, other domestic financial instruments exchanges, or foreign financial instruments exchanges, etc.), the base price on the day the first price of a newly listed issue (excluding designated issues by the Exchange on a case-by-case basis; hereinafter referred to as "directly-listed issues") is determined, the base price on the day the first execution price immediately after ex-rights of an issue (hereinafter referred to as "opening price after ex-rights"), for which a shareholder directed spin-off is conducted to succeed the business (meaning a demerger in which all or part of the shares of a succeeding company or a newly created company will be



delivered to the shareholders of the demerged company at the time of such demerger), is determined (excluding issues designated by the Exchange on a case-by-case basis, hereinafter referred to as "demerger issues"), and the base price on the day immediately after the opening price after ex-rights for shares for which a gratis allotment of shares is conducted (excluding cases where the shares held by the shareholders entitled to the allotment are of the same class as the allotted shares) (hereinafter referred to as "gratis allotment issues") designated by the Exchange on a case-by-case basis, shall be prescribed in the following items:

- (1) For directly-listed issues, the first price;
- (2) For demerger issues and gratis allotment issues, the opening price after ex-rights;
3. Notwithstanding the provisions of the preceding two (2) paragraphs, for issues designated by the Exchange pursuant to the provisions of Rule 2, Paragraph 1, Item (2), the base price on the initial listing date shall be the issue price or offer price of the issue. After the initial listing date, the base price until the first price is determined shall, where a special quote is displayed as prescribed by the Exchange, be the final special quote price of the immediate preceding day (where no special quote is displayed in the immediate preceding day, the base price of said day shall apply);
4. Notwithstanding the provisions of Items (4) and (5) of Paragraph 1, the base price on the listing date of newly listed convertible bonds and exchangeable corporate bonds (excluding securities designated by the Exchange on case-by-case basis), which have not been listed on other financial instruments exchanges in Japan before listing on the Exchange, shall be prescribed by the Exchange on case-by-case basis.

Rule 17 through Rule 22. Deleted.

## **Section 4**

### **Confirmation of Transactions, etc.**

#### **Rule 23. Publication of Execution Prices**

When a trade has been made, the execution price shall be published as prescribed by the Exchange.

#### **Rule 24. Reporting and Confirmation of Transactions**

1. When a trade has been made, the Exchange shall immediately report its details to the selling and buying trading participants.
2. Trading participants shall immediately confirm the trade details reported from the Exchange upon receipt.
3. If the Exchange becomes aware of a delay, absence, or other deficiencies in the report prescribed in Paragraph 1 for reasons such as a hindrance to the operation of its trading system, the Exchange shall resend a report on the details of the transactions executed at the Exchange to the selling trade participant and buying trading participant, as specified by the Exchange on a case-by-case basis.

## **Section 5**

### **Ex-dividend, Ex-rights, etc.**

**Rule 25. Ex-dividend Dates, etc.**

1. Dates on which stocks are traded ex-dividend or ex-rights (hereinafter referred to as "ex-dates") shall be determined by the Exchange.
2. Contracts made on or after the ex-dates in the preceding paragraph shall be settled on an ex-dividend or an ex-rights basis.

**Rule 25-2. Date on which Trading Starts for Shares after the Reverse Stock Split**

For stock trading, the Exchange shall specify the date on which shares after a reverse split of stock (including preferred equity investment, beneficiary rights, and investment units) (hereinafter referred to as a "date on which trading starts for shares after the reverse stock split")

**Rule 26. Dates of Changing Acquisition Value, etc.**

The Exchange shall determine the date on which a trade will start to be made at a new acquisition price after an acquisition price change (including an interruption of the acquisition request period; the same shall apply hereinafter) (hereinafter referred to as a "date of changing the acquisition value") with respect to a stock issued by a domestic corporation for which it is prescribed that it can be requested to be acquired from the issuing company or that it can be acquired either on condition that a certain event has occurred to the issuing company or by a resolution of the general shareholders meeting; the date on which a trade will start to be made at a new number of shares displayed in a foreign stock depositary receipt, if there is a change in the number of displayed shares (meaning the number of shares whose right is represented on one depositary receipt) (hereinafter referred to as a "deadline for changing the indicated number of shares"); the date on which the convertible bond starts to be traded with new exercise conditions (hereinafter referred to as a "date for changing exercise conditions"), if there is a change in the exercise conditions; and the date on which the exchangeable corporate bond starts to be traded with the new exchange conditions (hereinafter referred to as a "date of changing exchange conditions"), if there is a change in the exchange conditions.

**Rule 26-2. Ex-rights Dates Pertaining to Claims for Redemption Before Maturity**

The Exchange shall determine the dates on which convertible bonds and exchangeable corporate bonds with claims for redemption before maturity are traded ex-rights with respect to such claims.

**Rule 27. Transactions with Due Bills**

Transactions with due bills in a foreign stock may be made for a period determined by the Exchange if the Exchange deems this necessary.

**Rule 28. Daily Pro Rata Interest**

With regards to trading of interest-bearing bonds, interest-bearing convertible bonds and interest-bearing exchangeable corporate bonds, the Exchange shall calculate an amount of interest on a pro-rate basis that is obtained by multiplying the total face value of the security by its interest rate (hereinafter referred to as "interest"), and shall add an amount for a period to the settlement date of such trade (hereinafter referred to as "accrued interest") to the trading value; provided, however, that where the settlement date of such trade falls on the interest payment date of such security, no accrued interest shall be added to the trading value, and no

delivery/receipt of interest of an interest-bearing convertible bond shall be made.

## **Section 6**

### **Trading Halt**

#### **Rule 29. Trading Halt**

In cases referred to in each of the following items, the Exchange may halt trading of a security as prescribed by the Exchange:

- (1) Where a bond or a convertible bond is redeemed by a drawing and the Exchange deems that a trade suspension is necessary;
- (2) Where information on a certain security or issuer that may have a significant effect on investors' investment decisions is revealed and details of such information are not clear and/or the Exchange deems it necessary to make details aware to the public;
- (3) Where the Exchange deems that the state of trading in a security is abnormal or that this is likely or where the Exchange deems that it is not appropriate to continue trading from the viewpoint of trading supervision;
- (4) Where a malfunction occurs to the trading system, or where the Exchange deems that it is difficult to continue trading due to a failure in the facilities of the Exchange pertaining to trading of a security, and other cases; and
- (5) Where the Exchange deems it necessary to make it aware to the public that it may cancel a trade.

## **Section 7**

### **Alerts to Investors**

#### **Rule 30. Alerts to Investors**

Where any of the following items is met and the Exchange deems it necessary to make such fact widely known, the Exchange may issue an alert to investors:

- (1) Where there is information that is deemed likely to have material impact on investment decisions, and contents of the information are unclear; or
- (2) Where there are other circumstances regarding information on a security or its issuer, etc. that are deemed to require attention.

Chapter 4. Deleted.

Rule 31 through Rule 40. Deleted.

## **Chapter 5**

### **Transactions Other Than Those During Trading Sessions**

#### **Section 1**

##### **Transaction for Correcting Errors, etc.**

#### **Rule 41. Transactions for Correcting Errors, etc.**

1. Where a trading participant is unable to execute a customer's order in accordance with the purport of entrustment in the Exchange market due to an error, etc. for a truly unavoidable reason, the trading participant may execute, with the prior approval of the Exchange and as prescribed by the Exchange, a sale or a purchase of a security pertaining to such approval at a price deemed appropriate by the Exchange without carrying out a trade during a trading session, a trade for reinstatement (meaning a transaction for reinstatement prescribed by Paragraph 2 of the following rule) and an off-auction distribution on its own account as its counterparty.
2. Settlement of a transaction in the preceding paragraph shall be made on the day on which the settlement would have been due if the sale or purchase based on entrustment of such customer had been made in accordance with the purport of the entrustment.

### **Section 1-2 Transactions for Reinstatement**

#### **Rule 41-2. Transactions for Reinstatement**

1. Where a transaction pertaining to a customer's order is cancelled in accordance with the provisions of Rule 13, Paragraph 1, a trading participant may execute, with the prior approval of the Exchange and as prescribed by the Exchange, a sale or a purchase of a security pertaining to such approval at the same price as that for such cancelled transaction without carrying out a trade during a trading session, a transaction for correcting errors, etc. and an off-auction distribution with the trading participant which has placed the erroneous order as its counterparty. In this case, the trading participant who placed such order with an error shall comply with this as counterparty to such sale or purchase.
2. Settlement of a transaction in the preceding paragraph (hereinafter referred to as a "transaction for reinstatement") shall be made on the day on which the settlement would have been due if the cancelled transaction had not been cancelled.

### **Section 2 Off-auction Distribution**

#### **Rule 42. Off-auction Distribution**

1. A trading participant may execute a customer's sale order of the quantity that is equal to or more than an amount predetermined by the Exchange by means of an off-auction distribution except for cases that the Exchange deems it inappropriate for trading supervision.
2. An off-auction distribution in the preceding paragraph shall be notified to the Exchange beforehand pursuant to the provisions prescribed by the Exchange and, in addition, it shall be effected on a day following a day of the acceptance of the notification by the Exchange (hereinafter referred to as "distribution date") pursuant to the provisions of the following rule through Rule 45, and settlement shall be made on the third day (or the fourth day in cases of a transaction effected on the day referred to in each item of Paragraph 3 of Rule 9) counting from such day; provided, however, that transactions in interest-bearing convertible bonds (excluding JASDEC non-eligible convertible bonds) and interest-bearing exchangeable corporate bonds as prescribed in the provisions of Rule 9, Paragraph 5 or Paragraph 6 shall

be settled on the fifth day if it is effected on a day specified in Rule 9, Paragraph 3, Item (2) or Item (3), and on the fourth day if it is effected on the day following the day prescribed in Rule 9, Paragraph 5.

3. When the Exchange accepts notification of an off-auction distribution, the Exchange shall announce the method and other necessary matters of such distribution (hereinafter referred to as "details of distribution").
4. A trading participant who has submitted notification pursuant to the provisions of Paragraph 2 may withdraw the notification, if the Exchange deems that the issue pertaining to such distribution falls or is likely to fall under the delisting criteria between the time when the Exchange accepts such notification and the deadline for purchase application prescribed in Rule 44.
5. A trading participant who has submitted notification pursuant to the provisions of Paragraph 2 shall withdraw such notification, if the Exchange deems that the case falls under the provisions of Paragraph 1 between the time when the Exchange accepts such notification and the deadline for purchase application prescribed in Rule 44.

#### **Rule 42-2. Method of Off-auction Distribution**

Transactions by means of an off-auction distribution shall be effected in the trading systems.

#### **Rule 43. Off-auction Distribution Price**

An off-auction distribution shall be effected at a price specified by the entrusting customer and deemed appropriate by the Exchange within a range of the closing price (where a special quote is displayed as prescribed by the Exchange, such final special quote; where the day on which such notification is accepted is a day immediately prior to an ex-dividend date, etc., a date on which trading starts for shares after the reverse stock split, a date of changing the acquisition value, a deadline for changing the indicated number of shares, a date for changing exercise conditions, a date of changing exchange conditions of such issue, a standard price specified by the Exchange. Where an off-auction distribution of such issue is made at another financial instrument exchange in Japan simultaneously and the Exchange deems this necessary or there is no closing price (including a final special quote displayed as prescribed by the Exchange) on the day on which notification is accepted, a price specified by the Exchange on a case-by-case basis) on which notification prescribed in Rule 42, Paragraph 2 is accepted and the price obtained by subtracting 10% of the total from such price (hereinafter referred to as "distribution price").

#### **Rule 44. Purchase Subscription Hours for Off-auction Distribution**

1. Purchase application for off-auction distribution offers shall be made as prescribed by the Exchange during the time from 8:00 a.m. to 8:45 a.m. on a distribution date.
2. The Exchange may temporarily change the purchase application hours prescribed in the preceding paragraph, if the Exchange deems this necessary.

#### **Rule 45. Trade Contract Execution for Off-auction Distribution**

An off-auction distribution shall be effected by matching off-auction distribution offers with bids at a distribution price; provided, however, that where the total volume for bids exceeds the total volume offered for such distribution, matching shall be made in the order determined by

the Exchange.

#### **Rule 46. Restriction on Off-auction Distribution**

1. A trading participant who carries out off-auction distribution (hereinafter referred to as a "trading participant handling off-auction distribution") shall neither be involved nor allow another trading participant to be involved in the formation of a closing price (where a special quote is displayed as prescribed by the Exchange, such final special quote) of such issue on the day on which notification prescribed in Rule 42, Paragraph 2 is accepted, by an order based on a trading discretionary agreement (meaning a trading discretionary agreement prescribed in Rule 16, Paragraph 1, Item (8), Sub-item ii of the Cabinet Office Ordinance on Definitions Provided in Article 2 of the Financial Instruments and Exchange Act (the Ministry of Finance Ordinance No.14 of 1993) ) on its own account or a consigned order of a customer who consigned such distribution or by consigning an order to another trading participant.
2. No trading participant shall solicit a purchase of a security to be distributed before the Exchange publishes details of such distribution; provided, however, that the same shall not apply to cases where an issuer of a security pertaining to such distribution publishes that it will carry out distribution to news media including at least two (2) news media referred to in Article 30, Paragraph 1, Item (1) of the Enforcement Ordinance and notifies the Exchange of such published details or that fact and, in addition, where solicitation for a purchase is based on notification details which the Exchange made known to the public for inspection in an electromagnetic method (meaning an electromagnetic method prescribed in Article 56, Paragraph 2 of the Transaction Restriction Ordinance.).

#### **Rule 47. Service Fee for Off-auction Distribution**

1. A trading participant handling an off-auction distribution shall pay an off-auction distribution service fee to trading participants that have made purchases in such distribution in accordance with the volume purchased.
2. The unit price of off-auction distribution service fee prescribed in the preceding paragraph shall be equivalent to the unit price of off-auction distribution underwriting fee payable to the trading participant handling the off-auction distribution by the customer consigning the distribution.

Chapters 6 and 7. Deleted.

Rules 48 through Rule 64. Deleted.

### **Chapter 8 Restrictions on Transactions, etc.**

#### **Rule 65. Regulatory Measures Concerning Securities Trading in the Exchange Market or Acceptance of Orders**

Where the Exchange deems that the state of securities trading in the Exchange market is

abnormal or is likely to be so, the Exchange may take necessary measures against securities trading in the Exchange market or acceptance of orders, out of the regulatory measures prescribed in accordance with regulations of the Exchange.

**Rule 66. Proprietary Purchases by Trading Participants During Tender Offering Period**

Purchases permitted by regulations prescribed by the financial instruments exchanges as provided in Article 12, Item (2) and Article 14-3-7, Item (5) of the Enforcement Ordinance for the purpose of facilitating trading of securities shall be the purchases in the Exchange market that are referred to in each of the following items:

- (1) Purchases for correcting errors, etc. and purchases pertaining to transactions for reinstatement pursuant to the provisions prescribed by these regulations (including special regulations thereof);
- (2) Purchases, etc. made due to an error which has occurred at the time of an execution of a customer's order that the Exchange deems to be truly unavoidable;
- (3) Purchases pertaining to joint purchase cumulative investment business;
- (4) Purchases pertaining to securities mini investment (meaning a trade in a typical method which uses the book-entry transfer system of JASDEC for securities of less than a trading unit prescribed in Rule 15 pertaining to an issue pre-selected by a trading participant; the same shall apply hereinafter);
- (5) Purchases pertaining to transactions prescribed in a. or b. in relation to an act which reduces risk that may occur due to price fluctuations pertaining to a subscription warrant security, new investment unit subscription warrant security, corporate bond with subscription warrant, stock depositary receipt (meaning a depositary receipt displaying rights pertaining to a stock) or an exchangeable corporate bond (hereinafter referred to as a "subscription warrant security, etc." in this item) in cases referred to in the following a. or b.:
  - a. Where a sale of a subscription warrant security, etc. is made:

A transaction where a stock or investment security whose issue is the same as that of the target shares, to be exercised (hereinafter referred to as the "target shares, etc." in this item) is purchased within the scope of the number of shares (limited to the number of the target shares, etc. pertaining to a subscription warrant security, etc. which is to be purchased that corresponds to such sale; and the number of shares less the number of the target shares, etc. pertaining to such subscription warrant security, etc. for which such sale is made by means of a transaction which is made using the relationship between the price pertaining to a subscription warrant security, etc. and the price of the target shares, etc., and where a subscription warrant security, etc. is sold and a stock or investment security whose issue is the same as that of such target shares, etc. is purchased within the scope of the number of the target shares, etc.) that are to be acquired by exercising rights given to a subscription warrant security, etc. for which such sale is made;
  - b. Where there is a purchase balance of a subscription warrant security, etc. and, in addition, a stock or investment security whose issue is the same as that of the target shares, etc. is sold to reduce risk which may occur due to price fluctuations pertaining to such purchase balance:

A transaction where such stock or investment security is purchased within the scope of the number of shares or investment securities for which such sale is made;
- (6) Purchases pertaining to transactions referred to in the following a. through c. using the relationship between the price level pertaining to investment trust beneficiary certificate

(limited to securities investment trust beneficiary certificates; the same shall apply hereinafter from this item to Item (8), and Item (9) of the following rule) and the level of an indicator pertaining to such investment trust beneficiary certificates (if said investment trust beneficiary certificate is a non-indicator-linked investment trust beneficiary certificate (that for which there is no specific indicator that the fluctuation rate of the net asset value per unit of investment trust assets is meant to track; the same shall apply hereinafter), the net asset amount per unit of the investment trust assets; the same shall apply hereinafter) (to be referred to as a "purchase using the relationship between the price level pertaining to an investment trust beneficiary certificate and an indicator" in the following rule):

- a. A transaction where investment trust beneficiary certificates are sold and indicator-linked securities (meaning securities selected so that fluctuations of the total amount of their values will be close to fluctuations of an indicator pertaining to such investment trust beneficiary certificates; the same shall apply hereinafter) (if said investment trust beneficiary certificates are non-indicator-linked investment trust beneficiary certificates, held securities (meaning securities selected so that their composition ratio will be close to that of securities composing the investment trust assets of said investment trust beneficiary certificates); the same shall apply hereinafter) are purchased (limited to purchases of multiple stocks of different issues if said indicator-linked securities are multiple stocks of different issues; the same shall apply hereinafter to the next item) simultaneously within the scope of such sales value;
  - b. A transaction in which, in cases where there is a purchase balance of investment trust beneficiary certificates and indicator-linked securities) are sold, all or part of the purchase balance of such investment trust beneficiary certificates are sold and indicator-linked securities are purchased within the scope of the sales value (limited to within the scope of value of indicator-linked securities which are so sold; and
  - c. A transaction where securities are purchased to maintain closeness to fluctuations of an indicator in cases where a transaction referred to in a. has been made or in the case prescribed in the preceding b. (meaning a transaction where securities are purchased to maintain fluctuations of the total amount of the value of indicator-linked securities to be close to fluctuations of such indicator, where a computation method of the indicator or component issues of the indicator (if the investment trust beneficiary certificates are non-indicator-linked investment trust beneficiary certificates, component issues of the investment trust assets of said certificates; the same shall apply hereinafter) has changed or where, with regard to component issues of the indicator, a numerical values that are used for computation of said indicator have fluctuated; the same shall apply hereinafter);
- (7) In cases referred to in the following a. through c., a purchase pertaining to a transaction specified in such a. through c. which is carried out in relation to an act to reduce risk which may occur due to fluctuations of a price pertaining to an investment trust beneficiary certificate (to be referred to as a "purchase to reduce risk due to price fluctuations pertaining to an investment trust beneficiary certificate" in the following rule):
- a. Where a sale of an investment trust beneficiary certificate has been made:

A transaction in which indicator-linked securities are purchased within the scope of the value (limited to the value obtained by subtracting the purchase value of investment trust beneficiary certificates corresponding to this and the sale value of investment trust beneficiary certificates by means of a transaction prescribed in Sub-item a. of the preceding item pertaining to such investment trust beneficiary certificates)



of said sold investment trust beneficiary certificates;

- b. Where there is a purchase balance of investment trust beneficiary certificates and, in addition, indicator-linked securities are sold to reduce risk which may occur due to fluctuations of the value pertaining to such purchase balance:

A transaction in which indicator-linked securities are purchased within the scope of the value of said sold indicator-linked securities for which such sale is made; and

- c. In cases where transactions prescribed in a. are made or in cases referred to in the preceding b.:

A transaction in which securities are purchased to maintain the closeness to fluctuations of the indicator;

- (8) Purchases made within the scope of the volume necessary for acquisition of investment trust beneficiary certificates for the purpose of acquiring such investment trust beneficiary certificates from a trust;

- (9) Purchases pertaining to transactions (including those where transactions (including transactions equivalent to those made in a foreign financial instruments market; hereinafter referred to as "index option contracts" in this rule) referred to in Article 2, Paragraph 21, Item (3) of the Act pertaining to the index that are equivalent to these transactions are used) referred to in the following a. through c. where the relationship between the level of a contract value (meaning a numerical value previously contracted by the party as the index; the same shall apply hereinafter) pertaining to transactions (including transactions equivalent to those made in a foreign financial instruments market; hereinafter referred to as "index futures contracts" in this rule) referred to in Article 2, Paragraph 21, Item (2) of the Act pertaining to the index and the level of the index is used (to be referred to as a "purchase which uses the relationship between the level of the contract value pertaining to an index futures contract and the level of the index" in the following rule):

- a. A transaction where a sale of an index futures contract (meaning a transaction where money is received when an actual value (meaning a numerical value of an actual index for a certain future period) pertaining to an index futures contract becomes lower than a contract value; the same shall apply hereinafter) is made and a number of securities of different issues (limited to securities so selected that fluctuations of the total amount of the value of such securities can be close to fluctuations of an index pertaining to such index futures contract) are simultaneously purchased within the scope of the transaction contract value;
- b. A transaction where all or part of the transaction contract balance of a purchase of a index futures contract (meaning a transaction where money is received when an actual value pertaining to a index futures contract becomes higher than a contract value; the same shall apply hereinafter in this rule) is settled in a method prescribed by a financial instruments exchange and a number of securities of different issues (limited to securities so selected that fluctuations of the total amount of the value of such securities can be close to fluctuations of an index pertaining to such index futures contract) are purchased within the scope of the transaction contract value, etc.; and
- c. A transaction where a security is purchased to maintain the closeness to the fluctuations of an index, where a transaction referred to in a. is made or where there is a transaction contract balance prescribed in the preceding b. (meaning transactions in which securities are purchased to maintain the closeness of fluctuations of the total amount of the values

of multiple securities of different issues to fluctuations of an index in cases where a computation method of the index or the component issues of the index are changed or where a numerical value pertaining to component issues of the index that is used for computation of the index with regard to component issues for the index has fluctuated; hereinafter the same).;

- (10) A purchase (to be referred to as a "purchase to reduce risk due to price fluctuations pertaining to an index futures contract" in the following rule) pertaining to a transaction prescribed in a. through c. which is made in relation to an act to reduce risk which can occur due to price fluctuations pertaining to the transaction contract balance of an index futures contract (including a purchase pertaining to an index options contract equivalent to this transaction) in cases referred to in the following a. through c.:

- a. Where there is a transaction contract balance of a sale of an index futures contract:

A transaction where a number of securities of different issues (limited to securities so selected that fluctuations of the total amount of the value of such securities can be close to fluctuations of the index pertaining to such index futures contracts) are purchased within the scope of the transaction contract balance of such sales of index futures contracts (limited to a transaction contract balance obtained by subtracting a transaction contract balance of purchases of index futures contracts corresponding to these and a transaction contract balance of sales of index futures contracts by means of transactions prescribed in a. in the preceding item pertaining to the same index futures contracts as such sales of index futures contracts);

- b. Where there is a transaction contract balance of a purchase of an index futures contract and a number of securities of different issues (limited to securities so selected that fluctuations of the total amount of the value of such stocks can be close to fluctuations of the index pertaining to such index futures contracts) are sold to reduce risk which can occur due to price fluctuations pertaining to such transaction contract balance:

A transaction where a number of securities of different issues are purchased within the scope of the value of securities for which such sale is made; and

- c. Where a transaction prescribed in a. is made or in cases referred to in the preceding b.:

A transaction where a security is purchased to maintain the closeness to the fluctuations of an index;

- (11) In cases referred to in the following a. or b., a purchase pertaining to a transaction prescribed in such a. or b. which is made in relation to an act to reduce risk which can occur due to fluctuations of an amount of consideration pertaining to rights which can effect a sale of a security (hereinafter referred to as a "security put option" in this item and the following rule) or rights which can effect a purchase of a security (hereinafter referred to as a "security call option" in this item and the following rule) (to be referred to as a "purchase to reduce risk due to fluctuations of an amount of consideration pertaining to a security put option or a security call option" in Item (13) of the following rule):

- a. Where a security put option is acquired or a security call option is offered by means of a security option transaction (meaning a transaction referred to in Article 2, Paragraph 21, Item (3) of the Act pertaining to securities trading and including a similar transaction effected in a foreign financial instruments market; the same shall apply in this item and the following rule):

A transaction where a security whose issue is the same as that of such security is purchased

within the scope of the number of securities which is to be sold in cases of exercising such security put option or security call option or in cases where it is exercised (limited to the number of securities obtained by subtracting the number of securities which is to be purchased if such security put option or security call option is exercised in cases where such security put option is offered or such security call option is acquired, and the number of securities which is to be sold if such security put option or security call option is exercised in cases where a security put option is acquired by means of a transaction referred to in Sub-item a. of Item (12) of the following rule pertaining to the same issue of such security and, in addition, a security call option is offered); or

- b. Where a security put option is offered or a security call option is acquired by means of a security option transaction and a security whose issue is the same as that of the security which is to be purchased by exercising such security put option or security call option or it being exercised is sold to reduce risk which can occur due to fluctuations of an amount of consideration pertaining to such security put option or security call option:

A transaction where a security whose issue is the same as that of such security is purchased within the scope of the number of securities for which such sale is made;

- (12) Where a sale of a security to a customer (excluding takeover bidders, etc. (meaning takeover bidders, etc. prescribed in Article 27-3, Paragraph 3 of the Act)) is promised or is made, a purchase of a security whose issue is the same as that of the security that is within the scope of the volume necessary for such sale;
- (13) Where a security is borrowed (limited to cases where it is borrowed before the day preceding to the day on which publication prescribed in Article 27-3, Paragraph 1 of the Act pertaining to such takeover bid is made), a purchase of a security whose issue is the same as that of the security borrowed within the scope of the volume necessary for reimbursing it; and
- (14) A purchase pertaining to a transaction where consideration pertaining to a purchase of a security issued by an issuer of a security pertaining to such takeover bid does not exceed 4/100 of the total amount of the consideration pertaining to the purchase of such transaction, which is a transaction in which purchases are made in securities of at least twenty-five (25) issues of the same classification (meaning a classification between stocks and convertible bonds; the same shall apply in Item (16) of the following rule) selected beforehand.

#### **Rule 67. Proprietary Purchases, etc. Within the Stabilization Transaction Period**

Purchases deemed necessary to facilitate smooth trading of a security or deemed not to be based on investment decisions on an individual issue pursuant to the provisions of a financial instruments exchange as prescribed in Article 117, Paragraph 1, Item (22), Sub-items i. and v. of the Cabinet Office Ordinance Concerning Financial Instruments Businesses, etc. (the Cabinet Office Ordinance No.52 of 2007) shall be purchases in the Exchange market referred to in each of the following items:

- (1) Purchases for correcting errors, etc. in these regulations (including the special regulations thereof) and purchases pertaining to transactions for reinstatement;
- (2) Purchases, etc. to be made due to an error which occurred at the time of an execution of a customer's order that the Exchange deems to be for a truly unavoidable reason;
- (3) Purchases pertaining to a joint purchase cumulative investment business;
- (4) Purchases pertaining to a security mini investment;

- (5) Purchases pertaining to transactions referred to in the following a. through d. using the relationship between the price pertaining to a subscription warrant security, new investment unit subscription warrant security, corporate bond with subscription warrant, stock depositary receipt (meaning a depositary receipt representing rights pertaining to a stock (including a preferred equity contribution security (meaning a preferred equity contribution security issued by a cooperative structured financial institution); the same shall apply hereinafter in this item and the following item); the same shall apply hereinafter in this item) or an exchangeable corporate bond (hereinafter referred to as a "subscription warrant security, etc." in this item and the following item) and the price of a stock or investment security (hereinafter referred to as the "target shares, etc." in this item and the following item) to be acquired by exercising the rights given to such subscription warrant security, etc.:
- a. A transaction where a subscription warrant security, etc. is sold and a stock or investment security whose issue is that same as that of the target shares, etc. is purchased within the scope of the number of the target shares, etc.;
  - b. Where there is a purchase balance of a stock or investment security and, in addition, a sale of a subscription warrant security, etc. (excluding a stock depositary receipt and an exchangeable corporate bond; the same shall apply hereinafter in this b. and the following c.) whose target shares, etc. are stocks or investment securities of the same issue as that of such stock or investment security is made, a transaction where all or part of such purchase balance is sold and a subscription warrant security, etc. is purchased with making the number of target shares, etc. within the number of such shares or investment securities to be sold (limited to a purchase made within the number of shares of a subscription warrant security, etc. for which such sale is made);
  - c. A transaction where a stock or investment security whose issue is the same as that of the target shares, etc. is sold and a subscription warrant security, etc. is purchased with making the number of the target shares, etc. within the number of such shares or investment securities to be sold; and
  - d. Where there is a purchase balance of a subscription warrant security, etc. and, in addition, a stock or investment security whose issue is the same as that of the target shares, etc. is sold, a transaction where all or part of such purchase balance is sold and a stock or investment security is purchased within the number of target shares, etc. pertaining to such subscription warrant security, etc. (limited to a purchase made within the scope of the number of shares or investment securities for which such sale is made);
- (6) In cases referred to in the following a. or b., purchases pertaining to a transaction prescribed in such a. or b. that are made in relation to an act to reduce risk that can occur due to price fluctuations pertaining to a subscription warrant security, etc.:
- a. Where a sale of a subscription warrant security, etc. is made:

A transaction where a stock or investment security whose issue is the same as that of the target shares, etc. is purchased within the scope of the number (limited to the number obtained by subtracting the number of the target shares, etc. pertaining to a subscription warrant security, etc. to be purchased corresponding to such sale and the number of the target shares, etc. pertaining to a subscription warrant security, etc. by means of a transaction prescribed in Sub-item a. or Sub-item b. of the preceding item) of the target shares, etc. pertaining to a subscription warrant security, etc. for which such sale is made; or

- b. Where there is a purchase balance of a subscription warrant security, etc. and, in addition, a stock or investment security whose issue is the same as that of the target shares, etc. is sold to reduce risk that can occur due to price fluctuations pertaining to such purchase balance:

A transaction where a stock or investment security is purchased within the scope of the number of shares or investment securities for which such sale is made;

- (7) Purchases where the relationship between the price level pertaining to an investment trust beneficiary certificate and the level of an indicator is used;
- (8) Purchases to reduce risk due to price fluctuations pertaining to an investment trust beneficiary certificate;
- (9) Purchases made within the scope of the number necessary to acquire investment trust beneficiary certificates for the purpose of acquiring said investment trust beneficiary certificates from a trust;
- (10) Purchases where a relationship between the level of the contract value pertaining to an index futures trading and the level of an actual index is used;
- (11) Purchases to reduce risk due to price fluctuations pertaining to index futures trading;
- (12) Purchases pertaining to a transaction referred to in the following a. or b. made by using a relationship between the exercise price pertaining to a security option contract (meaning a price pertaining to the transaction effected by indicating the intention of one party), the amount of the consideration and the traded price of the security:
  - a. A transaction where a security put option is acquired and, in addition, a security call option is offered through new security option contracts and a security whose issue is the same as that of such security is purchased within the number of such securities which are to be sold in cases of exercising such security put option or security call option or it being exercised; or
  - b. A transaction where repurchase or resale (meaning an offsetting transaction to an unsettled contract) of all or part of the unsettled contract pertaining to an offer of a security put option and an acquisition of a security call option is made and a security whose issue is the same as that of such security is purchased within the number of such securities which are to be purchased, in cases of exercising a security put option or a security call option pertaining to such repurchase and resale or it being exercised;
- (13) Purchases to reduce risk due to fluctuations of consideration pertaining to a security put option or a security call option;
- (14) Where a sale of a security to a customer is promised by means of a transaction outside the Exchange market (excluding transactions belonging to the calculations by persons referred to in each item of Paragraph 3 of Article 20 of the Enforcement Ordinance) or a transaction outside a trading session prescribed by these regulations or the business regulations of another financial instruments exchange in Japan with such customer at a price referred to in the following a. or b., purchases of a security whose issue is the same as that of such security within the scope of the volume of such sale (limited to cases where a purchase order placement is to be made in accordance with a pre-established program and, in addition, management is made on a special account):
  - a. A price obtained by dividing the total trading consideration by the total turnover of a security for a trading session (including morning only and afternoon only trading sessions) whose issue is the same as that of such security to be sold in the Exchange market on which such

- sale is made; or
- b. A price obtained by dividing the total purchase consideration for purchases of a security whose issue is the same as that of such security to be sold that are made by installment in the Exchange market by the total purchase volume with the price specified in the preceding a. as its target;
- (15) Purchases made through a bid referred to in the following a. or b. that is given by a trading participant such as a managing financial instruments firm, etc. (meaning a managing financial instruments firm, etc. prescribed in the following rule) to secure smooth trading of investment securities in the Exchange market:
- a. In cases where buy quotes and sell quotes are made continuously, such buy quotes; or
  - b. Buy quotes given to correspond to sell quotes; and
- (16) Purchases pertaining to transactions where at least 25 pre-selected issues of securities of the same classification are purchased simultaneously and the consideration pertaining to purchases of securities issued by issuers of securities pertaining to such subscription or a sale does not exceed 4/100 of the total amount of the consideration pertaining to purchases of such transactions.

#### **Rule 68. Ensuring Smooth Trading of Foreign Stocks, etc.**

Regarding foreign stocks, investment trust beneficiary certificates, investment securities, domestic commodity trust beneficiary certificates, convertible bonds and exchangeable corporate bonds (hereinafter referred to as "foreign stocks, etc." in this rule), a trading participant who is a managing financial instruments business operator, etc. (meaning (i) a financial instruments business operator who is a manager, (ii) a designated participant (meaning a person who handles offering) in cases of securities investment trust beneficiary certificates and domestic commodity trust beneficiary certificates, and (iii) a trading participant designated by the Exchange as prescribed by the Exchange in cases of foreign investment trust beneficiary certificates, foreign investment securities, foreign securities trust beneficiary certificates (excluding foreign securities trusts whose trust assets are stocks issued by foreign corporations), and beneficiary certificates of a foreign beneficiary certificate issuing trust) shall make efforts to ensure smooth trading of such foreign stocks, etc. in the Exchange market.

#### **Rule 69. ETF Market Making Incentive Scheme**

1. The Exchange shall establish an ETF Market Making Incentive Scheme for investment trust beneficiary certificates, foreign investment trust beneficiary certificate, foreign investment securities, beneficiary certificates of beneficiary certificate-issuing trusts, and beneficiary certificates of beneficiary certificate-issuing foreign trusts (hereinafter referred to as "ETF(s)" in this rule).
2. The ETF market maker shall make efforts for securing fair price formation and smooth circulation of ETFs in the Exchange market.
3. The Exchange shall designate an ETF market maker(s) for each issue, as specified by the Exchange, based on application for designation of an ETF market maker(s) from trading participants (limited to cases where bids/offers are made for a proprietary account) or low latency traders (meaning low latency traders prescribed in Article 66-50 of the Act; the same shall apply hereinafter)
4. The ETF market maker designated pursuant to the provisions of the preceding paragraph shall, as specified by the Exchange, place a continuous bid and offer (including a bid/offer

- that matches up with an existing offer/bid)
5. The Exchange may, as specified by the Exchange, suspend or cancel the designation referred to in Paragraph 3.
  6. The Exchange shall announce the designation of ETF market makers, as well as suspension or cancellation of such designation and, as specified by the Exchange, notify each trading participant and low latency trader.
  7. In addition to matters specified in each of the preceding paragraphs, the Exchange shall specify necessary matters regarding the ETF Market Making Incentive Scheme.

Rules 70 through 73. Deleted.

## **Chapter 9**

### **Miscellaneous Rules**

#### **Rule 74. Notification and Publication of the Total Trading Volume, etc.**

Notification and publication of daily total trading volume, etc. in the Exchange market pursuant to the provisions of Article 130 of the Act shall be made through electronic information media; provided, however, that it shall be notified in writing where a failure occurs to the operation of the electronic information media or any other cases where the Exchange deems that it is difficult because of this.

#### **Rule 75. Reporting to the Prime Minister**

Reporting daily total turnover, etc. in the Exchange market to the Prime Minister pursuant to the provisions of Article 131 of the Act shall be made through electronic information media; provided, however, that it shall be notified in writing where a failure occurs to the operation of the electronic information media or any other cases where the Exchange deems that it is difficult because of this.

#### **Rule 76. Reporting on the Market Condition**

Where it is necessary to continuously report the market condition of the Exchange to the general public or news media, etc., the Exchange shall conduct it and no trading participants shall carry out an act which is similar to this.

#### **Rule 77. Method of Trading in Securities, etc. in the Exchange Market**

1. Trading participants shall carry out securities trading in the Exchange market through trading participant terminal equipment, etc. as deemed appropriate by the Exchange.
2. Trading participants must comply with interface specifications and other matters specified by the Exchange for system connections between trading participant terminals and trading systems.
3. Trading participants shall report to the Exchange matters concerning trading participant terminal equipment as prescribed by the Exchange and shall cooperate in ensuring the stable operation of the trading systems.
4. A trading participant shall appoint a person responsible for securities trading who deals with integration of trading business of such securities and matters relating to this from among the officers in charge of trading business of securities in the Exchange market or the employees who are in a post as a person responsible for that, and shall report that to the

Exchange beforehand; provided, however, that where the Exchange prescribes that part of the administrative works that should be done by the person responsible for securities trading are the administrative works for which another person responsible should be provided, the trading participant shall appoint a person responsible for such administrative works in place of the person responsible for securities trading and shall report that to the Exchange beforehand.

#### **Rule 77-2. Publication of Orders with Errors**

Where an order with an error is placed and the Exchange deems it necessary for trading supervision purposes, the Exchange may publicize the issue pertaining to such order, the name of the trading participant who placed such order and other matters prescribed by the Exchange.

#### **Rule 78. Application for Clearing Intermediation of Securities, etc.**

1. These regulations (excluding Rules 66 and 67) shall apply to clearing intermediation of securities, etc. pertaining to trading of securities by deeming that a trading participant who entrusts clearing intermediation of securities, etc. is a person who carries out transactions of such securities.
2. The provisions of Items (3) and (4) of Paragraph 1 of Rule 14 shall apply to agency for entrustment of clearing intermediation of securities, etc. pertaining to trading of securities by deeming that a trading participant who entrusts clearing intermediation of securities, etc. is a person who carries out transactions in such securities.

#### **Rule 78-2. Application for Securities Trading Enacted by Entrusting Order Placement to Other Trading Participants**

The provisions of Rules 41-2 and 77-2 shall be applied to securities trading that is enacted through entrustment of order placement to other trading participants (as prescribed in Rule 2-2, Paragraph 3 of the Trading Participant Regulations) with the trading participant that has obtained the Exchange's approval as prescribed in Rule 24-7, Paragraph 1 of the same regulations deemed as the party who trades the securities.

#### **Rule 78-3. Matters to Be Reported by Persons Conducting Low Latency Trading**

The Exchange may request persons conducting low latency trading to report matters pursuant to the provisions specified by the Exchange.

#### **Rule 78-4. Entrustment of Operations Deemed to be Self-Regulatory Operations**

The Exchange may entrust Japan Exchange Regulation with the operations concerning examination of the details of securities trading on financial instruments exchange markets among operations that are deemed to be self-regulatory operations pursuant to the provisions of Article 85-5, Paragraph 2 of the Act.

#### **Rule 79. Decision of Necessary Matters Concerning Market Operation**

In addition to the matters prescribed in these regulations, the Exchange may prescribe necessary treatment in other regulations, where it is necessary for the operation of the Exchange market.

#### **Supplementary Provision**



(Reference Translation)

The revised rules shall be implemented on January 4, 2024.

## Schedule

### Computation of Base Price with Short Selling Price Restriction with Ex-dividend, etc.

#### 1. Domestic stocks (related to Rule 16, Paragraph 1, Item (1))

##### (1) Ex-dividend

###### a. In the case of cash dividend

Base price = final cum-dividend closing price — dividend amount

###### b. In cases other than the preceding a.

The Exchange shall determine the base price on a case-by-case basis.

##### (2) Ex-rights (ex-new)

###### a. In the case of a stock split

###### (a) Where ex-new and ex-dividend is simultaneous

Base price = (final cum-rights closing price — dividend amount) x split ratio

###### (b) Where ex-new and ex-dividend is not simultaneous

Base price = final cum-rights closing price x split ratio

###### b. In the case of a gratis allotment of shares (limited to cases where allotments of shares of the same class as those listed)

###### (a) Where ex-new and ex-dividend is simultaneous

Base price = (final cum-rights closing price — dividend amount) / (1 + new share allotment ratio)

###### (b) Where ex-new and ex-dividend is not simultaneous

Base price = final cum-rights closing price / (1 + new share allotment ratio)

###### c. In the case of a paid-in capital increase (including capital increases with concurrent gratis allotment)

###### (a) Where ex-new and ex-dividend is simultaneous

Base price = (final cum-rights closing price — dividend amount + amount paid for new shares) / (1 + new share allotment ratio)

###### (b) Where ex-new and ex-dividend is not simultaneous

Base price = (final cum-rights closing price + amount paid for new shares) / (1 + new share allotment ratio)

###### d. Other cases

The Exchange shall determine the base price on a case-by-case basis.

##### (3) Reverse stock split

###### a. In the case where the day on which trading starts after the reverse stock split is the ex-dividend day

Base price = (final cum-rights closing price — dividend amount) / reverse split ratio

###### b. In the case where the day on which trading starts after the reverse stock split is not the ex-dividend day

Base price = final cum-rights closing price / reverse split ratio

##### (4) Ex-rights (gratis allotment of subscription warrants (limited to where the allotted subscription warrants will be listed on the Exchange))

Item (2), Sub-item c. shall be applied mutatis mutandis. In this case, the terms "ex-new," "amount paid for new shares," and "new share allotment ratio" shall be deemed to be respectively replaced with "ex-rights," "amount payable upon subscription warrant

exercise," and "the number of shares delivered upon exercise of subscription warrants allotted per share".

(5) Change in the amount of consideration payable for acquisition

The Exchange shall determine the base price on a case-by-case basis.

2. Foreign stocks (related to Rule 16, Paragraph 1, Item (2), Sub-item a.)

(1) In the cases referred to in Rule 16, Paragraph 1, Item (2), Sub-item a., i.

a. Ex-dividend

(a) In the case of a cash dividend

Base price = price in the foreign market + dividend amount

(b) In cases other than the preceding Sub-item a.

The Exchange shall determine the base price on a case-by-case basis.

b. Ex-rights (ex-new)

(a) In the case of a stock split

i. Where ex-new and ex-dividend is simultaneous

Base price = (price in the foreign market / split ratio) + dividend amount

ii. Where ex-new and ex-dividend is not simultaneous

Base price = price in the foreign market / split ratio

(b) In the case of a paid-in capital increase (including capital increases with concurrent gratis allotment)

i. Where ex-new and ex-dividend is simultaneous

Base price = price in the foreign market  $\times$  (1 + new share allotment ratio) + dividend amount  
— amount paid for new shares

ii. Where ex-new and ex-dividend is not simultaneous

Base price = price in the foreign markets  $\times$  (1 + new share allotment ratio) — amount paid  
for new shares

(c) Other

The Exchange shall determine the base price on a case-by-case basis.

(2) In the cases referred to in Rule 16, Paragraph 1, Item (2), Sub-item a. (a) ii.

The computation method for domestic stocks provided in Paragraph 1 shall be applied mutatis mutandis.

(3) In the cases referred to in Rule 16, Paragraph 1, Item (2), Sub-item a. (a) iii.

The Exchange shall determine the base price on a case-by-case basis.

3. Equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, investment securities and domestic commodity trust beneficiary certificates:

The provisions of Paragraph 1 shall apply mutatis mutandis to equity contribution securities, preferred equity contribution securities, investment trust beneficiary certificates, investment securities, and domestic commodity trust beneficiary certificates.

4. Foreign investment trust beneficiary certificates, foreign investment securities, foreign securities trust beneficiary certificates, and beneficiary certificates of a foreign beneficiary certificate issuing trust:

The provisions of Paragraph 2 shall be applied mutatis mutandis to foreign investment trust

beneficiary certificates, foreign investment securities, foreign securities trust beneficiary certificates, and beneficiary certificates of a foreign beneficiary certificate issuing trust.

(Note 1) In cases where the computed base price includes fractional amounts less than the increment of bids or offers, the fractional amount shall be rounded, etc.

(Note 2) Final cum-dividend closing price and final cum-rights closing price shall mean the closing price of such stock on the day immediately preceding the ex-dividend or ex-rights day (or a special quote if such quote is displayed as prescribed by the Exchange), provided, however, where the provisions of Paragraph 2, Item (2) are applied mutatis mutandis, the applicable price in the foreign market on the day shall be applied.

(Note 3) The first day of trading after a reverse stock split shall mean the date on which trading starts after a reverse stock split as prescribed in Rule 25-2.

(Note 4) The final cum-rights closing price before a reverse stock split means the closing price on the day immediately preceding the day on which trading starts after a reverse stock split.

(Note 5) The dividend amount shall be determined as follows:

(1) In the case where the dividend amount for the current period has not been fixed:

The dividend amount of the previous period; provided, however, that in the case where a change in the dividend amount, etc. is expected, the Exchange shall make an inquiry to the issuer of the stock on the dividend amount for the current period to apply as the dividend amount (where there is cumulative dividend, the Exchange shall refer to the notice submitted by the issuer):

(2) In the case where the dividend amount for the current period is fixed:

The dividend amount for the current period.

(Note 6) The amount paid for new shares shall be the amount paid for new shares per old share.

(Note 7) The amount payable upon subscription warrant exercise shall be computed by multiplying the amount payable per share upon warrant exercise by the number of shares delivered upon warrant exercise.

(Note 8) The dividend amount pertaining to the price in the foreign market and foreign stocks shall be an amount converted into yen using the middle rate between a TTS rate and a TTB rate in the Tokyo Foreign Exchange Market; provided, however, that the Exchange shall determine the amount on a case-by-case basis where it deems it inappropriate to use the converted amount due to significant fluctuations in the foreign exchange market, etc.