

Rules Regarding Just and Equitable Principles of Trade

(As of December 1, 2014)

Osaka Exchange, Inc.

Rule 1. Purpose

These Rules prescribe acts to be stipulated by OSE pursuant to Rule 51 of the Trading Participant Regulations.

Rule 2. Definitions

1. "Derivative instruments" shall mean transactions referred to in Article 2, Paragraph 21, Item 2 of the Act that pertain to indices (limited to those which indicate the overall price level of a large number of securities that are listed on a financial instruments exchange in Japan or foreign financial instruments market, or continually traded; the same shall apply hereinafter) (including similar transactions carried out on foreign financial instruments markets; hereinafter referred to as "index futures transactions"), transactions referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to indices (including similar transactions carried out on foreign financial instruments markets; hereinafter referred to as "index options transactions") and over-the-counter derivatives transactions that pertain to indices, as well as any other securities or instruments (including securities and instruments with the same characteristics that are issued by foreign governments or foreign corporations) for which the amount of the dividend, interest, distribution, redemption value, etc. are calculated based on the value of an index or price of an index futures transaction by a pre-determined method.
2. "Index-linked investment trust beneficiary certificates, etc." shall mean investment trust beneficiary certificates (meaning beneficiary certificates of investment trusts), foreign investment beneficiary certificates (meaning beneficiary certificates of foreign investment trusts; the same shall apply hereinafter in this paragraph), investment securities, foreign investment securities, beneficiary certificates of beneficiary certificate-issuing trusts (see Note 1 below), or beneficiary certificates of foreign beneficiary certificate-issuing trusts whose purpose is to link with an index.

(Note 1) Meaning, out of beneficiary certificates of beneficiary certificate-issuing trusts, securities or certificates issued by a foreign corporation in a foreign country whose trust assets are securities, foreign investment trust beneficiary certificates, foreign investment securities, or beneficiary certificates of foreign beneficiary certificate-issuing trusts that have the characteristics of corporate bonds.
3. "A subsidiary or parent company of a Trading Participant" shall mean a foreign legal entity that conducts business similar to financial instruments business and is a subsidiary (see Note 2 below)

or parent company (see Note 3 below) of the Trading Participant. In such cases, in the event that a subsidiary of the Trading Participant is the parent company of another company and in the event that another company is the parent company of a subsidiary of the Trading Participant, such other company shall be deemed to be a subsidiary of such Trading Participant. Furthermore, in the event that another company is the parent company of a parent company of the Trading Participant and in the event that a parent company of the Trading Participant is the parent company of another company, such other company shall be deemed to be a parent company of such Trading Participant.

(Note 2) Meaning a subsidiary prescribed in Article 2, Item 3 of the Companies Act (Act No. 86 of 2005) and, in the case where that the Trading Participant holds more than 50% of the total number of voting rights of shareholders (excluding voting rights attaching to shares where the voting rights cannot be exercised in relation to all matters that can be resolved by a general shareholders meeting and including voting rights attaching to shares deemed to have voting rights pursuant to Article 879, Paragraph 3 of the Companies Act; the same shall apply hereinafter) of another company, such other company; the same shall apply hereinafter)

(Note 3) Meaning a parent company prescribed in Article 2, Item 4 of the Companies Act and, in cases where another company holds more than 50% of the total number of voting rights of shareholders of the Trading Participant, such other company; the same shall apply hereinafter)

4. "A cash market" shall mean a financial instruments exchange market or a foreign financial instruments market established by a domestic financial instruments exchange for the purpose of trading securities.
5. "A derivative instruments market" shall mean a financial instruments exchange market or a foreign financial instruments market established for the purpose of trading derivative instruments.
6. "Security options, etc." shall mean security options (meaning those subject to transactions referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to trading of listed securities (including similar transactions on a financial instruments market, etc. in a foreign country) and over-the-counter options transactions, as well as those similar to such security options; the same shall apply hereinafter in this rule and the following rule), or rights to effect a transaction to pay/receive an amount of money that is calculated by a predetermined method based on the price of listed securities, or rights relating to securities or instruments whose dividends, interest, distributions, or redemption value is calculated by a predetermined method based on the price of listed securities.

7. "Arbitrage transactions" shall mean transactions executed using the relationship between the level of the contract value of an index futures transaction and the level of the index in which a participant buys, sells or makes final settlement of an index futures contract and accordingly conducts sales or purchases of multiple securities (limited to those selected such that the change in the total value of said securities approximates to the change in the value of the index underlying the index futures transactions) of differing issues in an amount corresponding to the contract value (including transactions equivalent thereto that are effected using index options transactions).

Rule 3. Acts of Trading Participants

Acts specified by OSE as prescribed in Rule 51 of the Trading Participant Regulations shall be the acts enumerated in each of the following items.

- (1) An act concerning transactions straddling 2 markets, etc.
- (2) An act concerning arbitrage transactions
- (3) An act concerning tender offers
- (4) An act concerning stabilization transactions
- (5) Other acts detrimental to the protection of investors or undermining the fairness of transactions.

Rule 4. Act concerning Transactions Straddling 2 Markets, etc.

1. Acts concerning transactions straddling 2 markets, etc. prescribed in Item 1 of the preceding rule shall mean the acts enumerated in the following items that are conducted by a Trading Participant in connection with transactions for its own account or for the account of a subsidiary or parent company of said Trading Participant or an affiliate thereof engaged in financial instruments business (limited to transactions in which said Trading Participant effectively makes investment decisions; the same shall apply hereinafter).
 - (1) A party holding one of two products whose prices are interrelated conducting wash trading in the other product with the aim of obtaining profit by causing other persons to misunderstand the trading conditions of the first product.
 - (2) A party holding one of two products whose prices are interrelated conspiring in advance with another party and making collusive trades in the other product with the aim of obtaining profit by causing other persons to misunderstand the trading conditions of the first product.
 - (3) A party holding one of two products whose prices are interrelated acting to cause the price of the other product to fluctuate by effecting trades in that product with the aim of

- obtaining profit by inducing transactions in the first product.
- (4) A party holding one of two products whose prices are interrelated circulating rumours about the other product with the aim of obtaining profit by inducing transactions in the first product.
 - (5) A party holding a derivative instrument acting intentionally to cause an index or the price of index futures transactions to fluctuate, or to prevent an index or the price of index futures transactions from rising or falling in order to settle finally or exercise said derivative instrument to its own advantage, or a person holding an unsettled positions on the sale of derivative instruments doing so in order to prevent exercise thereof by effecting transactions on a cash market or effecting index futures transactions or index options transactions on a derivative instruments market.
 - (6) A party holding security options, etc. acting intentionally to cause the price of the listed securities subject to said securities options to fluctuate, or to prevent the price of said listed securities from rising or falling in order to exercise them or calculate margins to its own advantage, or a party holding unsettled positions on the sale of security options acting in the same way in order to avoid receiving allocation of exercise thereof, by trading in said listed securities.
 - (7) Knowing that a customer will soon entrust an order which may have a considerable effect on the market price of one of two products whose prices of which are interrelated, using that knowledge to effect transactions in the other product in advance of said order being placed with the aim of obtaining profit.
2. The two products whose prices are interrelated as provided in the preceding paragraph shall mean the products referred to in each of the following items.
- (1) A derivative instrument and a listed security
 - (2) An index-linked investment trust beneficiary certificate, etc. and a listed stock
 - (3) A derivative instrument and an index-linked investment trust beneficiary certificate, etc.
 - (4) Security options, etc. and a listed security subject to said security options

Rule 5. Acts concerning Arbitrage Transactions

1. Acts concerning arbitrage transactions prescribed in Rule 3, Item 2 shall mean the acts enumerated in the following items that are conducted by Trading Participants.
 - (1) In the event that Tokyo Stock Price Index (meaning the free-float adjusted market capitalization-weighted stock price index that is calculated by Tokyo Stock Exchange, Inc. (hereinafter referred to as "TSE") based on all the domestic common stocks listed on the TSE First Section; hereinafter referred to as "TOPIX") falls below the closing value

of TOPIX on the previous day (to be moved up if it falls on a holiday; the same shall apply hereinafter) with a range greater than that stipulated in the following paragraph, a Trading Participant makes sales (excluding those based on brokerage for clearing of securities, etc.) pertaining to arbitrage transactions for its own account or for the account of a subsidiary or parent company of the Trading Participant or an affiliate thereof that operates financial instruments business during the period from the time that TOPIX falls with such range until the difference between the value of TOPIX and the closing value on the previous day narrows down within the range stipulated in Paragraph 3 (or, in the event that it has not narrowed down within said range by the end of the afternoon session, until the end of the afternoon session).

- (2) In the event that TOPIX has risen above the closing price on the previous day with a range greater than that stipulated in the following paragraph, a Trading Participant makes purchases (excluding those based on brokerage for clearing of securities, etc.) pertaining to arbitrage transactions for its own account or for the account of a subsidiary or parent company of the Trading Participant or an affiliate thereof that operates financial instruments business during the period from the time that TOPIX rises with such range until the difference between the value of TOPIX and the closing value on the previous day narrows down within the range stipulated in Paragraph 3.

2. The margins at which sales and purchases pertaining to arbitrage transactions are restricted pursuant to each item of the preceding paragraph shall be as follows, according to the range of the closing value of TOPIX on the previous day.

Closing value of TOPIX on the previous day	Margin
Less than 2,000 points	100 points
2,000 points or more, but less than 3,000 points	150 points
3,000 points or more, but less than 4,000 points	200 points
4,000 points or more	250 points

3. The margins at which restrictions on sales and purchases pertaining to arbitrage transactions are lifted pursuant to each item of Paragraph 1 shall be as follows, according to the range of the closing value of TOPIX on the previous day.

Closing value of the Tokyo Stock Price Index on the previous day	Margin
Less than 2,000 points	70 points
2,000 points or more, but less than 3,000 points	100 points

3,000 points or more, but less than 4,000 points	130 points
4,000 points or more	160 points

4. Notwithstanding the provisions of the preceding 2 paragraphs, OSE may change the margins stipulated in said paragraphs if it considers necessary in the light of stock market conditions, etc.

Rule 6. Acts concerning Tender Offers

Acts concerning tender offers prescribed in Rule 3, Item 3 shall mean the acts enumerated in the following items that are conducted by Trading Participants.

- (1) The following acts in cases where the Trading Participant becomes an entity that handles work enumerated in each item of Article 8, Paragraph 4 or each item of Article 14-3-3, Paragraph 4 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No.321 of 1965; hereinafter referred to as "the Enforcement Order") for the tender offerer, or an entity that conducts purchases, etc. (meaning purchases, etc. prescribed in Article 27-2 of the Act; the same shall apply hereinafter) of stocks, etc. (meaning stocks, etc. prescribed in Article 27-2 of the Act; the same shall apply hereinafter) through the tender offer on behalf of the tender offerer (hereinafter referred to as a "tender offerer-related party").
 - a. Leaking or using without permission, after the decision to become a tender offerer-related party, special information on the tender offer obtained in the course of performing duties.
 - b. Conducting, after the decision to become a tender offerer-related party, purchases, etc. (including purchases, etc. under a discretionary investment contract) of stocks, etc. issued by an issuer of the stocks, etc. pertaining to the tender offer for its own account before the day of public notice on the tender offer, for the purpose of selling, etc. (meaning sales, etc. prescribed in Article 27-2 of the Act) to the tender offerer, etc. (meaning the tender offerer, etc. prescribed in Article 27-3 of the Act).
- (2) Becoming an entity related to a tender offerer with respect to a tender offer with the knowledge that the tender offer is being made by a party that intends to use the tender offer to obtain unfair gains by selling stocks, etc. it holds at favorable prices.
- (3) With respect to the tender offer, buying up and amassing a shareholding, and using its status as a large shareholder to sell shares to its own advantage to a party related to the issuer of such shares despite such party's intention, or accepting entrustment (excluding accepting of brokerage for clearing of securities, etc.) of purchases of shares for the account of an entity that intends to perform an act similar to such selling.

Rule 7. Acts concerning Stabilization Transactions

Acts concerning stabilization transactions prescribed in Rule 3, Item 4 shall mean those enumerated in each of the following items conducted by Trading Participants.

- (1) Acts (excluding acceptance of entrustment of purchases of securities effected by exercise in transactions enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities transactions) enumerated in the following sub-items that are conducted with respect to purchases with conditions to be executed within the period during which stabilization transactions (meaning stabilization transactions prescribed in Article 20, Paragraph 1 of the Enforcement Ordinance; the same shall apply hereinafter) may be conducted (meaning stabilization transaction periods prescribed in Article 22, Paragraph 2 to Paragraph 4 of the Enforcement Ordinance; the same shall apply hereinafter) with regard to a listed stock (see Note 1), listed preferred equity contribution security, listed investment security (see Note 2) (hereinafter collectively referred to as "a listed stock, etc."), or a listed investment trust beneficiary certificate (meaning a beneficiary certificate of an investment trust; the same shall apply in this rule) issued by an issuer of securities (see Note 3) pertaining to a public offering (limited to those made to at least 50 parties as counterparty thereto; the same shall apply in this item and hereinafter) or a secondary distribution (excluding public offerings or secondary distributions pertaining to issuance of subscription warrants to officers or employees or granting of other rights deemed as stock options)

(Note 1) Meaning, in cases of a public offering or secondary distribution of current price subscription warrant securities, listed stocks or listed current price subscription warrant securities, or, in cases of a public offering or secondary distribution of current price corporate bonds with subscription warrants, listed stocks or listed current price corporate bonds with subscription warrants (see Note 3 below)

(Note 2) Meaning, in cases of a public offering or secondary distribution of current price new investment unit subscription warrant securities, listed investment securities or listed current price new investment unit subscription warrant securities (see Note 3 below)

(Note 3) Excluding (i) subscription warrants or corporate bonds other than subscription warrant securities representing subscription warrants based on which stocks will be issued or transferred at current price or a certain price close thereto (referred to as "current price subscription warrant securities" in

this rule) or corporate bonds with such subscription warrants (referred to as "current price corporate bonds with such subscription warrants" in this rule), (ii) preferred equity contribution securities other than those issued at current price or a certain price close thereto (meaning preferred equity contribution securities issued by cooperative structured financial institutions), and (iii) new investment unit subscription warrant securities other than those representing new investment unit subscription warrants based on which investment securities will be issued at current price or a certain price close thereto (hereinafter referred to as "current price new investment unit subscription warrant securities")

- a. An act of accepting entrustment (excluding acceptance of brokerage for clearing of securities, etc.) of purchases from a party (see Note 4 below) with the knowledge that such party is an issuer of securities subject to stabilization transactions
(Note 4) Limited to, in cases where securities subject to stabilization transactions are listed stocks, etc., purchases of listed stocks, etc., and in cases where securities subject to stabilization transactions are listed investment trust beneficiary certificates, purchases of such listed investment trust beneficiary certificates.
- b. An act of accepting entrustment of purchases from a party (see Note 5) with the knowledge that such party is an entity that may entrust stabilization transactions (meaning entities enumerated in each item of Article 20, Paragraph 3 of the Enforcement Ordinance, however, excluding the entity prescribed in Sub-item c. below and Trading Participants)
(Note 5) Excluding acceptance of brokerage for clearing of securities, etc. and acceptance of stabilization transactions (excluding, in cases other than the case prescribed in Sub-item d., stabilization transactions under a discretionary investment contract)
- c. An act of accepting entrustment of purchases from a party (limited to purchases for such party's account) with the knowledge that such party is a foreign corporation which conducts business similar to financial instruments business in a foreign country and which has concluded a principal underwriting contract with the issuer of securities subject to stabilization transactions (limited to securities pertaining to a public offering or secondary distribution conducted in regions outside Japan; the same shall apply in Sub-item d. below) (excluding acceptance of entrustment of stabilization transactions (excluding, in cases other than the cases prescribed in

Sub-item d, stabilization transactions under a discretionary investment contract), and excluding acceptance of entrustment of purchases that are specified by a financial instruments exchange in Japan as purchases deemed to be required so as to promote smooth circulation of securities or purchases deemed not to be based on investment decisions on individual issues in accordance with rules established by the financial instruments exchange as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (i) and (v) of Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No.52 of 2007) (hereinafter referred to as "the Cabinet Office Ordinance"))

- d. An act of, in cases of receiving notice from an issuer of securities subject to stabilization transactions as a party referred to in Article 20, Paragraph 3, Item 5 of the Enforcement Ordinance, purchasing for its own account (excluding stabilization transactions and purchases specified as purchases deemed to be required so as to promote smooth circulation of securities or purchases deemed not to be based on investment decisions on individual issues by rules of a financial instruments exchange(s) in Japan as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (i) and (v) of the Cabinet Office Ordinance), purchasing under a discretionary investment contract (excluding stabilization transactions and purchases specified as purchases deemed to be required so as to promote smooth circulation of securities or purchases deemed not to be based on investment decisions on individual issues by rules of a financial instruments exchange(s) in Japan as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (i) and (v) of the Cabinet Office Ordinance), and entrusting purchases (excluding entrustment of brokerage for clearing of securities, etc. (excluding entrustment of brokerage for clearing of securities, etc. pertaining to purchases for its own account (excluding stabilization transactions) and purchases under a discretionary investment contract (excluding stabilization transactions)))
- (2) Acts enumerated in the following sub-items conducted in a period from the time when the first stabilization transaction is effected to the last day of the stabilization transaction period with the knowledge that a stabilization transaction is effected for securities subject to such stabilization transactions, but without indicating such knowledge (excluding acceptance of purchases of securities effected by exercise in transactions referred to in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities transactions)
 - a. Acceptance of entrustment for purchases of stocks, preferred equity contribution securities, current price subscription warrant securities, investment securities,

current price new investment unit subscription warrant securities, or current price corporate bonds with subscription warrants (in cases where securities subject to stabilization transactions are investment trust beneficiary certificates, such investment trust beneficiary certificates) issued by an issuer of such securities or sale of such securities (excluding (i) acceptance of entrustment of purchase from a financial instruments business operator or an authorized transactions-at-exchange operator, (ii) sale to a financial instruments business operator or an authorized transaction-at-exchange operator, and (iii) sale based on brokerage for clearing of securities, etc.), or entrustment of brokerage for clearing of securities, etc. pertaining to such sale

- b. Acceptance of entrustment of (i) transactions in which a Trading Participant will become the party to receive security options that allow it to make purchases of such securities in transactions enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to transactions of securities issued by an issuer of such securities, or (ii) transactions in which a Trading Participant will become the party to grant security options that allow it to make sales of such securities

(Notes)

1. The definitions of terms pertaining to securities transactions shall be as prescribed in the Business Regulations of Tokyo Stock Exchange, Inc.
2. The definitions of terms pertaining to futures and options transactions shall be as prescribed in the Business Regulations of Osaka Exchange, Inc.