

Introduction of OTC Trade Settlement Service for Carbon Credits

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Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange, Inc. (TSE) aims to consolidate liquidity and enhance price discovery in the Carbon Credit Market (hereinafter referred to as the "Market") by designing a trading system that classifies carbon credits into trading categories by project type, rather than individual credits, and employs a trading method that is standardized to a certain extent for each type. For this reason, if Carbon Credit Market participants wish to buy or sell a specific carbon credit, they must negotiate and settle the trade over the counter (OTC), outside the market. However, as OTC transactions require new contracts and delivery procedures for each trade, this process is becoming complicated in practice.

Given this, in order to improve convenience in carbon credit trading for market participants and contribute to Japan's decarbonization efforts (known as "green transformation" or GX), TSE has decided to introduce the "Carbon Credit OTC Trade Settlement Service" (hereinafter referred to as the "Service"). This will utilize the functions of the Market's trading and settlement systems to match, settle funds for, and transfer credits for transactions executed outside the market.

The trading category covered by the Service will initially be "forest sink," for which demand is particularly high for transactions focusing on individual carbon credits. Other trading categories will be considered in due course, comprehensively taking into account the needs of Carbon Credit Market participants and other relevant factors.

II. Outline

Item	Outline	Notes
1. Persons Permitted to Use the Service	<ul style="list-style-type: none">Carbon Credit Market participants (hereinafter referred to as "Participants") whose Designated Credits fall within the category of carbon credits covered by the Service. (Those using the Service are hereinafter referred to as "Users.")Upon using the Service, Users shall, in advance, agree to the "Carbon Credit OTC Trade Settlement Service Terms of Use" (hereinafter referred to as the "Service Terms of Use"), and shall use the Service in accordance with the provisions of the Service Terms of Use.	<ul style="list-style-type: none">Users, whether they be buyers or sellers, must be Participants.
(1) Designation of settlement accounts	<ul style="list-style-type: none">Users shall designate a bank account and a credit account held in their own name to be used for settlement under the Service.	<ul style="list-style-type: none">The bank account and the credit account shall be the same accounts as those used by the User in the Market.

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<p>(2) Service fees</p> <p>(3) Monitoring and investigations by TSE</p> <p>(4) Sanctions and other disciplinary measures against Users</p> <p> a. Disciplinary action against Users</p> <p> b. Regulatory measures against Users in settlement default</p> <p> c. Public announcement of disciplinary action against Users</p> <p>2. Service Overview</p>	<ul style="list-style-type: none"> • Fees for using the Service shall be as follows: <ul style="list-style-type: none"> ➤ Matching fee ➤ Settlement fee • From the perspective of ensuring smooth settlement under the Service, TSE shall monitor the status of matching and settlement with respect to applications to use the Service for settlement (hereinafter referred to as "Settlement Service Applications"). • If TSE deems it necessary in light of the aforementioned monitoring or operation of the Service, it may request a User to submit reports or documents that provide information on said User's use of the Service or its operations or assets pertaining to carbon credits. Upon receiving such a request, the User shall submit reports or documents without delay in a manner prescribed by TSE. • In cases where a User falls under any of the following items, TSE may, after requesting an explanation from the User as necessary, suspend or restrict the User's use of the Service (hereinafter referred to as "Measures Such as Suspending Use of the Service") or request improvements: <ul style="list-style-type: none"> ➤ No longer meeting the eligibility requirements to use the Service; ➤ A Trading Halt is conducted in the Carbon Credit Market; ➤ Withdrawing from use of the Service; ➤ A settlement default or other similar issue occurs; or ➤ Violating the Service Terms of Use. • TSE shall request that a User who has caused a settlement default or other similar issue submit a written explanation of the circumstances, detailing the cause and its analysis, and measures to prevent recurrence. • If TSE takes Measures Such as Suspending Use of the Service and deems it particularly necessary from the perspective of ensuring the stable operation of the Service, it may announce the name of the relevant User and other related information. • The Service shall be provided through the "Carbon Credit Market System" 	<ul style="list-style-type: none"> • For the time being, these fees will all be zero.

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(1) Eligible credits	<p>established by TSE.</p> <ul style="list-style-type: none"> • Where a User intends to use the Service for a trade of eligible credits that has been executed outside the Market, both Users who are parties to said trade shall apply to TSE to use the Service for each said trade. • Once TSE has completed matching a trade for which both parties have submitted Settlement Service Applications, it shall provide the settlement function of the Service. • Carbon credits classified under the "forest sink" trading category from among the "J-Credits" eligible for trading on the Market 	<ul style="list-style-type: none"> • Those under the "J-VER (forest sink)" and "J-VER (not yet transferred) forest sink" trading categories shall be excluded. • The unit shall be the credit certification number (meaning the number assigned to each project at the time of certification of the J-Credits).
(2) Service days	<ul style="list-style-type: none"> • The days on which the Service is provided shall be the same days on which trading sessions for the carbon credits eligible for the Service are held on the Market. 	
(3) Service hours	<ul style="list-style-type: none"> • The hours during which the Service is provided shall be from 8:00 a.m. to 11:29 a.m. and from 12:30 p.m. to 2:59 p.m. 	
(4) Settlement Service Applications	<ul style="list-style-type: none"> • A User who intends to use the Service shall apply to TSE for use of the settlement function after specifying the following matters concerning the details of a transaction that has been executed outside the Market: <ul style="list-style-type: none"> ➤ Trading category; ➤ Classification as a sale or a purchase; ➤ Credit certification number(s) of the credits to be traded; ➤ Quantity; ➤ Price; and ➤ Participant code of the User that is the counterparty to the trade. • The price unit that can be entered into for a Settlement Service Application shall be the same as the tick size used in trading sessions. The trading unit shall be the same as that applied to trades conducted in trading sessions. • TSE shall not establish price limits on bids and offers under the Service. 	<ul style="list-style-type: none"> • The details of the application shall not be disclosed to the public. • It shall be the Participant code for the Market assigned by TSE. • Price unit: JPY 1 • Trading unit: 1 t-CO2 • In order to prevent erroneous input, the range of prices that may be entered into in the system shall be

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(5) Trade matching	<ul style="list-style-type: none"> • TSE shall match trades for which Users have submitted a Settlement Service Application. If TSE confirms that the details of the sale and the purchase match, it shall deem that both Users involved in the relevant execution have agreed to use the Service as the method for fulfilling their obligations to transfer the carbon credits and to pay the consideration in respect of such transaction. TSE shall approve use of the Service for such execution by notifying each User of the verification result. • The period valid for the Settlement Service Application as indicated in (4) shall be limited to the Service hours on the day on which such application is made. 	<p>prescribed separately.</p> <ul style="list-style-type: none"> • Users involved in such matching may immediately confirm the matching results through the Carbon Credit Market System after TSE has confirmed the match. • Any Settlement Service Application for which no matching has been made within the validity period indicated on the left shall lapse at 3:00 p.m. on the day on which the application was made and shall be deleted from the Carbon Credit Market System. TSE shall also notify the User who made such application to that effect.
(6) Settlement	<ul style="list-style-type: none"> • TSE shall conduct settlement as provided in 3. for executions for which TSE has approved use of the Service as indicated in (5) (hereinafter referred to as an "Execution Using the Service"). 	
(7) Settlement date	<ul style="list-style-type: none"> • Settlement of an Execution Using the Service shall be carried out on the sixth trading day (excluding non-business days and non-regular non-business days of the Market, and non-regular market closures specified by TSE; the same shall apply to the calculation of numbers of days hereinafter) counting from the date on which said trade matching is performed. 	
(8) Regulatory measures	<ul style="list-style-type: none"> • If a failure occurs in the Carbon Credit Market System or the Credit Registry, or when operations are suspended due to system maintenance or other reasons, or if TSE deems it necessary from the perspective of ensuring the security of the operation of the Service, TSE may temporarily suspend all or part of the Service. TSE may also temporarily suspend all or part of the Service when it otherwise deems such suspension to be necessary. 	
(9) Publication	<ul style="list-style-type: none"> • With respect to Executions Using the Service, TSE shall, for each trading category, publish the total quantity for each day on which trade matching for such Executions Using the Service has been conducted, in the manner prescribed by TSE and by the following methods: <ul style="list-style-type: none"> ➤ Publication on the JPX website ➤ Publication through the Carbon Credit Market System 	<ul style="list-style-type: none"> • Only the quantities shall be published, and prices shall not be disclosed. • This will be at around 4:00 p.m. on each trading day.

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<p>3. Settlement</p> <p>(1) Designation of settlement accounts</p> <p>(2) Funds for delivery and receipt</p> <p>a. Funds for delivery</p>	<ul style="list-style-type: none"> • If, on the same settlement date, a User has any sale in trading sessions of credits with the same certification number, settlement of the delivery/receipt of carbon credits shall first be made with respect to the trades executed in such trading sessions, and thereafter with respect to the Executions Using the Service. • If, on the same settlement date, a User, in its capacity as a Carbon Credit Market Participant, has any sale or purchase in trading sessions, settlement shall first be made with respect to the trades executed in such trading sessions, and thereafter with respect to the Executions Using the Service. • Settlement pertaining to Executions Using the Service shall be conducted for each Execution Using the Service in a manner prescribed by TSE. Such settlement shall involve (a) transfer of carbon credits that are in the same trading category as said Execution Using the Service and have a quantity equivalent to that of said transaction; and (b) delivery/receipt of the amount of money of the trading value pertaining to said Execution (the total of the trading value and related consumption tax including local consumption tax; the same shall apply hereinafter. This amount is calculated using the execution price multiplied by the executed quantity as a tax calculation base; any amount less than JPY 1 shall be rounded down). • If a selling User is unable to transfer the quantity of carbon credits entered pursuant to 2. (4), it must promptly notify TSE to that effect. • Funds for delivery means the total amount of money obtained by aggregating the trading value and other related monetary amounts for each buying User in respect of purchases made on a single day; however, if, pursuant to the Market Participation Terms and Conditions, TSE permits such User, in its capacity as a market participant, to designate multiple bank accounts or credit accounts in its name, the funds for delivery shall be calculated for each bank account or each credit account in the name of said buying User. 	<ul style="list-style-type: none"> • The deadline for such notification to be made shall be 1:00 p.m. on the fourth day counting from the date on which trade matching for said Execution was conducted. • Please submit the notification form prescribed by TSE. • The actual funds for delivery under the Service shall be made in an amount aggregated with the trading value and other related monetary amounts for purchases made by the User in trading sessions on the same settlement date.

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<p>b. Funds for receipt</p> <p>(3) Credits for delivery and receipt</p>	<ul style="list-style-type: none"> Funds for receipt means the total amount of money obtained by aggregating the trading value and other related monetary amounts for each selling User in respect of sales made on a single day; however, if, pursuant to the Market Participation Terms and Conditions, TSE permits such User, in its capacity as a market participant, to designate multiple bank accounts or credit accounts in its name, the funds for delivery shall be calculated for each bank account or each credit account in the name of such selling User. 	<ul style="list-style-type: none"> The actual funds for receipt under the Service shall be made in an amount aggregated with the trading value and other related monetary amounts for sales made by the User in trading sessions on the same settlement date. Users may view this notification via the Carbon Credit Market System from 8:00 a.m. on the day after that on which trade matching was performed. Funds for delivery and funds for receipt will not be offset.
<p>a. Credits for delivery</p> <p>b. Credits for receipt</p>	<ul style="list-style-type: none"> Credits for delivery means the total amount of carbon credits obtained, from among the sales made on a single day, by aggregating, for each selling User (or, if TSE permits such user, in its capacity as a market participant, to designate multiple bank accounts or credit accounts in its name pursuant to the Market Participation Terms and Conditions, for each such bank account or credit account) and for each credit certification number. Credits for receipt means carbon credits obtained, from among the purchases made on a single day, by aggregating, for each buying User (or, if TSE permits such user, in its capacity as a market participant, to designate multiple bank accounts or credit accounts in its name pursuant to the Market Participation Terms and Conditions, for each such bank account or credit account) and for each credit certification number. 	<ul style="list-style-type: none"> The actual delivery of carbon credits under the Service shall be made by aggregating such credits with the credits relating to sales with the same credit certification number that are made by the User in trading sessions on the same settlement date. The actual receipt of carbon credits under the Service shall be made by aggregating such credits with the credits relating to purchases with the same credit certification number that are made by the User in trading sessions on the same settlement date. If the same User sells and purchases carbon credits, there will be no netting with respect to credits for delivery and Receipt.
<p>(4) Pre-transfer of carbon credits from selling User to TSE</p>	<ul style="list-style-type: none"> A selling User shall transfer credits for delivery to TSE by means of a transfer to a Credit Account in the name of TSE in the Credit Registry System by 11:00 a.m. of the trading day preceding the settlement date. 	

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<p>(5) Payment of funds for delivery by a buying User</p> <p>(6) Hold and transfer of carbon credits by TSE</p> <p>(7) Payment of funds for receipt from TSE to selling User</p> <p>(8) Transfer of carbon credits from TSE to selling User</p> <p>(9) Provision of qualified invoices</p>	<ul style="list-style-type: none"> • TSE shall hold the transferred carbon credits on behalf of the selling User until the buying User pays funds for delivery. • A buying User shall pay funds for delivery to TSE by transferring them to a bank account in the name of TSE at a financial institution designated by TSE by 11:00 a.m. on the settlement date. • TSE shall receive funds for delivery in this way on behalf of the selling User. Upon receipt of such funds for delivery by TSE, the selling User shall be deemed to have received the funds for delivery from the buying User and may not thereafter claim funds for delivery from the buying User. • From the point that TSE receives funds for delivery as described in (5) (only when the full amount has been transferred), carbon credits linked to the settlement units covered by said funds for delivery which are held by TSE on behalf of a selling User shall then be deemed to be held on behalf of the User who bought said settlement units. With this, said selling User shall be deemed to have transferred the carbon credits pertaining to said settlement units to said buying User. • Starting at 11:00 a.m. on the settlement date, for settlement of executed trades, TSE shall pay the funds for receipt to the selling User on the same day into a bank account designated in advance by the selling User. • After receiving funds for delivery, starting at 11:00 a.m. on the settlement date, TSE shall transfer the credits for receipt to the buying User on the same day by transferring them to a Credit Account designated by the buying User in advance. • Preparation, delivery, and receipt of qualified invoices in connection with settlement made under the Service will be performed by TSE with the application of special provisions for intermediary delivery. • On behalf of selling Users, TSE shall provide buying Users with a qualified invoice in an electromagnetic form, including TSE's company name and registration number, for each settlement unit promptly after the settlement date. • TSE shall provide selling Users with an electromagnetic record of the settlement statement from the above qualified invoice, omitting the buying User information, promptly after the settlement date. 	<ul style="list-style-type: none"> • "Qualified invoice" refers to that as defined in Article 57-4, Paragraph 1 of the Consumption Tax Law. • "Special provisions for intermediary delivery" refers to the system under which a person acting as an intermediary or agent delivers a qualified invoice on behalf of a seller (Article 70-12 of the Enforcement Order of the Consumption Tax Law¹ (Cabinet Order No. 360 of 1988)). • "Registration number" refers to that as defined in Article 57-2, Paragraph

¹ It refers to the Consumption Tax Law Enforcement Order after revisions implemented by the Cabinet Order No. 135, 2018.

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<p>4. Withdrawal of Application for Use of the Service</p>	<ul style="list-style-type: none"> • If, after the date on which matching pertaining to Executions Using the Service is carried out and before settlement under the Service is completed, any event such as the cancellation of the Executions Using the Service or any other event that makes it inappropriate to carry out settlement under the Service occurs (hereinafter collectively referred to as a "Cancellation or Other Event"), the selling User and the buying User pertaining to the Executions Using the Service shall promptly apply to TSE for withdrawal of the application to use the Service. • The deadline for such application shall be 1:00 p.m. on the third day, counting from the day following the date on which trade matching is carried out (i.e., two days prior to the settlement date), by which time such application specifying relevant Executions Using the Service and Cancellation or Other Event shall be submitted. • If applications are submitted by both of the relevant Users and the content of such applications is consistent, TSE shall approve the withdrawal of use pertaining to such applications, cancel its acceptance with respect to the Executions Using the Service, and shall not carry out any subsequent procedures. 	<p>4 of the Consumption Tax Law.</p> <ul style="list-style-type: none"> • TSE will provide qualified invoices and related documents to Users in a manner designated by TSE. • Applications for withdrawal of the application to use the Service as described in the left column may not be made through the Carbon Credit Market System, but shall be made by contacting TSE in advance and then submitting to TSE an application for withdrawal of use in the form prescribed by TSE. • If any Cancellation or Other Event occurs after the deadline for such application, the credits and the consideration between the relevant Users shall be returned outside the scope of the Service or by way of a separate Execution Using the Service.
<p>5. Treatment of Settlement Defaults and Other Similar Events</p> <p>(1) Difficulty in transferring carbon credits prior to the settlement date</p>	<ul style="list-style-type: none"> • If a User fails to perform settlement of an Execution Using the Service, or falls under any of the cases listed in items (1) through (4) below in which performance of such settlement is difficult, TSE shall cancel its acceptance with respect to said Execution Using the Service, shall not carry out any further procedures pertaining to settlement, and shall restore any settlements that have taken place to their original state. • If, prior to the settlement date, it becomes apparent that it will be difficult to transfer the carbon credits pertaining to an Execution Using the Service, the selling User shall immediately notify TSE to that effect in the manner prescribed by TSE. • The deadline for such application shall be 1:00 p.m. on the third day, counting from the day following the date on which trade matching is carried out (i.e., 	<ul style="list-style-type: none"> • If any settlement default or similar event occurs in connection with settlement of the Executions Using the Service, any credits transferred to TSE or funds transferred to TSE in relation to said settlement unit shall be returned to the relevant User.

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(2) Default on transfer of carbon credits	<p>two days prior to the settlement date), by which time the User shall submit to TSE an application specifying said settlement unit and the reasons why such transfer is difficult.</p> <ul style="list-style-type: none"> • If, based on this submission, TSE recognizes that the transfer will be difficult before the settlement date, TSE will not perform subsequent procedures. • If TSE determines not to perform subsequent procedures, it shall notify the buying User who is the counterparty to the settlement by 4:00 p.m. on the third day, counting from the day following the date on which trade matching is carried out (i.e., two days prior to the settlement date). • If, by 11:00 a.m. on the trading day preceding the settlement date, the credits for delivery have not been transferred in whole or in part to TSE by the selling User, TSE shall cancel its acceptance with respect to use of the Service in relation to the Execution Using the Service pertaining to such credits for delivery, and shall not carry out any further procedures. 	<ul style="list-style-type: none"> • Funds for delivery and funds for receipt that have been corrected due to subsequent procedures not being performed can also be viewed via the Carbon Credit Market System. • If the selling User has transferred only part of the carbon credits constituting a settlement unit in connection with the settlement of trades matched through the Service, TSE will return such transferred carbon credits to the selling User.
(3) Default on payment	<ul style="list-style-type: none"> • If all or part of funds for delivery are not paid by a buying User by the payment cutoff time on the settlement date, TSE will cancel all of its approvals with respect to the Executions Using the Service in which said User is the buyer, and shall not carry out any subsequent procedures. 	<ul style="list-style-type: none"> • If the buying User who failed to make payment is a selling User with respect to the Executions Using the Service, the settlement in which such User is the seller will be processed in the ordinary manner, unless such settlement constitutes a settlement default or similar event as prescribed in 5.
(4) Suspension of User's use	<ul style="list-style-type: none"> • If the buying User has already transferred a part of the funds for delivery to TSE, TSE shall return the funds to the buying User. • Carbon credits pertaining to said cancellation that have been transferred to TSE on the trading day prior to the settlement date shall be returned to the selling User. • If a User is subject to Measures Such as Suspending Use of the Service, or, as a Participant, to Trading Halts in trading sessions, and TSE deems it difficult to settle Executions Using the Service before the Trading Halts took effect, TSE will cancel all of its approvals with respect to the Executions Using the Service in which said User is a party, and shall not carry out any subsequent procedures. • Carbon credits pertaining to said cancellation that have been transferred to 	

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	TSE on the trading day prior to the settlement date shall be returned to the selling User.	

III. Implementation Schedule (Planned)

- The Service is scheduled to commence on March 18, 2026.